

Governance Under Emergency: The Political Economy of
Taxation in Post-Crisis Argentina (2003-2015)

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Abstract

This thesis explores the concept of emergency governance and the politics of taxation in post-crisis Argentina (2003-2015). In so doing, it identifies the range of complex social and political factors that shape tax regimes and in particular the role of tax in building state capacity, promoting development and exiting financial crisis.

After the economic collapse of 2001, Argentina moved towards a more interventionalist model of development, and is often described as being part of the Latin American ‘Pink Tide’ that swept the region. The shift in development models was part of an attempt to address poor regional growth, rising indebtedness and the high levels of poverty that had characterised many Latin American states in the 1990s. The crisis, followed by the largest sovereign debt-default in history, was a catalyst for a raft of emergency policies, and in lieu of borrowing options, ‘emergency’ taxes were implemented on major agricultural exports that were benefiting from a ‘boom’ in international prices. Export taxes helped finance the expansion of welfare redistribution in Argentina post-crisis and contributed towards returning the country to growth and reducing poverty indices. Whilst much has been written about government spending in this period, the role of tax and the process of tax collection has largely been neglected.

Tax rises that were initially seen as legitimate, however, eventually proved very contentious. These tax rises were only accepted as an *emergency* tax. They were not normalised as part of the tax basket under Presidents Kirchner and Fernández de Kirchner (2003-2015). Tax thus became a fault line for social and political tensions that threatened the financing of the Argentine state.

This thesis contributes to an under-studied area of political economy of development debates on tax and in Argentina. It does so conceptually and empirically by exploring the politics and complexities of tax collection. Conceptually, this thesis draws from Historical Sociology and Political Economy of Development and Taxation literatures and engages with concepts of emergency governance, legitimacy, consensus, political conflict, polarisation and contention. Empirically, the thesis provides a detailed account of the contentious politics of taxation between 2003-2015.

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Author's Declaration

I declare that this thesis is a presentation of original work and I am the sole author. This work has not previously been presented for an award at this, or any other, University. All sources are acknowledged as References.

*'Vengo a proponerles un sueño.
Quiero una Argentina unida,
una Argentina normal,
quiero que seamos un país serio,
pero, además, quiero un país más justo'.*

Néstor Kirchner 25th May 2003

Introduction

Tax matters for development (Gillis, 1989). It is one of the key revenue streams available to states to finance their obligations, and directly affects development trajectories (Burgess and Stern, 1993). Whilst developing states face a number of tax challenges due to weak collection capacity and fragile tax structures, they are by no means the only challenges. Tax can be politically conflictual, especially when the rationale for tax increases is contested. Therefore, one of the key political economy of tax challenges is to make tax palatable for development projects when there is increased collection, delayed consumption and the overall redistribution of tax resources and wealth across different social sectors (Flores-Macías, 2019). This thesis engages with taxation and development debates in Argentina (2003-2015), by explicitly examining the tensions that existed between the requirements of the Argentine state and between competing social, economic and political ideas and interests in relation to tax collection and state spending. It does so by exploring these tensions through a tax design that was implemented under emergency conditions post-2001 financial crisis, when there was a desperate need for the state to collect money in order to redistribute as welfare so as to ameliorate the fallout of economic crisis. Inevitably, the burden of the emergency tax design fell over wealthy actors in the Argentine rural sector, but it became a policy whose impact transcended this group and entirely polarised society because it sat squarely within opposing ideas about development.

It situates the theoretical and empirical analysis in a period of crisis in Argentina that had been brought about by years of rising national debt, which, in part was the result of the failure of previous governments to address politically conflictual tax questions. With the country now in an emergency situation, unresolved tax for development questions were brought back to the fore of politics. At the core of the tax debate was whether a measure that emerged out of necessity and crisis could become a legitimate and permanent aspect of a new economic model and state vision; a vision where the redistribution of these export taxes through welfare was a central element. Export taxes were not new in Argentina. Similar fiscal programmes had been attempted throughout the mid- and late-twentieth century, but they were polemical and contentious, and because of a number of factors, they were not consistently levied and therefore never fully legitimised in the eyes of those who were paying the tax. Therefore, the thesis analyses factors of fiscal legitimisation and explores how the crisis context in which Argentina found itself post-2001, shaped these tax questions because now these taxes were presented as a response to a national emergency and therefore, out of necessity.

These tax for development questions came back to the fore in Argentina because temporarily, debt was not an option available to government to finance state obligations. However, strong demand and growing international prices of some of Argentina's main export commodities meant that Argentina quickly left this emergency context behind. But taxes that were deemed acceptable, or at least unavoidable, in an emergency context engendered a different response once the economic emergency had faded. The thesis, therefore, explores the changing political dynamics of export taxation and analyses growing tensions and social conflict around export taxes as part of a wider tax design. It explicitly focuses on how factors including; shifts in tax rationale, tax reforms, opposing state visions and long-standing disagreements about the tax spend converged, when the emergency context dissipated, and ultimately challenged the legitimacy of these taxes. It explores the relationship between the Argentine government and taxpayers in the rural sector through the concept of the fiscal contract which I argue temporarily emerged and then broke down. By doing so, it analyses how and to what extent legitimacy for the tax became contested by other sectors of the population beyond the exporters, including the political opposition and how re-distributional conflict increased. To tell this tax and development story, concepts of political polarisation, re-distributional conflict and opposing ideas about what role the state should play in development, are all used along with fiscal legitimacy, to demonstrate the complexity of tax reforms in Argentina, especially when they are not viewed as legitimate by all in society.

Tax legitimacy is a central concept in this project and the thesis explores the additional challenges and barriers that Argentina, along with other countries in the wider Latin American region face when trying to raise taxes or reform tax design: weak income tax bases, erratic growth patterns and a lack of political consensus about tax have all added to difficulties in addressing tax questions in the region. In addition, the perceived value of the tax purchase and lower levels of government transparency mean that legitimising tax in Latin America is more difficult. Furthermore, as tax collection in Argentina is from very low and narrow tax bases, this becomes problematic. Low, because total taxes are weighted towards indirect taxes and where there are direct taxes, these are often levied with multiple rates and many exemptions. And narrow, because they fall over a smaller pool of tax payers (Lledo, Schneider and Moore, 2004). This presents challenges to the fiscal contract between citizens and governments because as Von Haldenwang (2008) argues, as Latin American countries place a heavier tax burden on consumption and economic activity — which represents half of their fiscal take in comparison to a third of the tax take in member countries of the Organisation for Economic Co-operation and Development (OECD) (OECD 2020, p. 47–48) — thus, the sectors

responsible for major economic activity are the ones who bear the largest tax burden. This is problematic because whilst developed countries can distribute taxes amongst the population, developing countries have to target concentrated economic sectors and thus more directly affect elite interests.

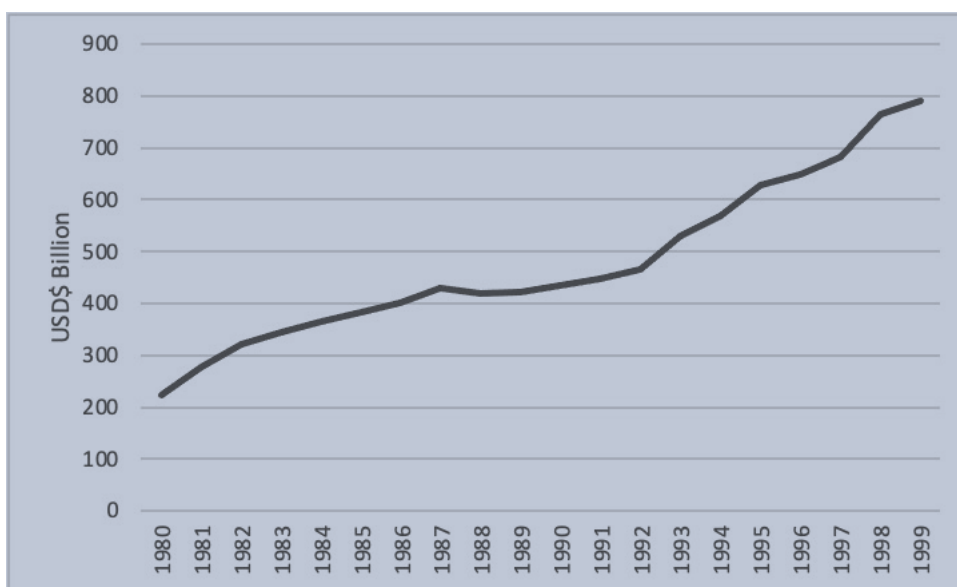
Before exploring these tax and development debates in Argentina in more detail which paves the way for the presentation of the research questions, to ground this introduction within a wider tax for development debate, I will briefly present some of the context that helps explain a specific development period where taxes, and more explicitly export taxes, on traditional commodity production would be responsible for governments' increased collection levels and with it, their capacity to allocate a greater share of these revenues to much needed social welfare projects (Guzman, Ocampo and Stiglitz, 2018).

This thesis explores Argentina's development trajectory from the early-2000s to the mid-2010s, situated within a wider regional shift from 2003 to 2015. Within this shift there was significant political change and a return of the state in development. I situate the thesis within the framing of the wider Latin American trend which bore witness to a period of major economic and political change that followed on from an era of neoliberal development. This period was characterised by high and rising debt, poor growth, increasing inequality and increasing poverty (Fine and Saad-Filho, 2014). Neoliberalism had been the dominant practice throughout the region prior to this shift. *The Washington Consensus* realigned development in Latin America in the interests of capital (Panizza, 2009; Kaltwasser, 2011). Whilst defining what the Washington Consensus — and therefore Latin American neoliberalism — is remains a complex task, in essence it alludes to a political and economic discourse that links development to free and open markets, with a reduced role for the state vis-à-vis deregulation, economic liberalisation and privatisations all featuring prominently (Rodrik, 2002). Latin American neoliberalism became a set of tangible policies that was underpinned by a greater reliance on markets and a wholesale change in the relationship between the state and society based on a generalised and vigorous withdrawal of state in socioeconomic life. Eventually, this became problematic because it created widespread vulnerabilities and uncertainties in the lives of those that relied on the provision of public goods from the state (Grugel and Riggirozzi, 2018).

Some of these vulnerabilities manifested through high levels of unemployment vis-à-vis a reduction in public sector employment (Wylde, 2012). Moreover, poverty levels were growing with rising unemployment and inflation was adding downward pressure onto citizens, increasing prices and attributing to rises in both poverty and extreme poverty indices. By the

end of the nineties, 75.5 million more people in Latin America were classified as being impoverished than at the beginning, and 27 million additional people fell below the extreme poverty threshold, representing an increase of 55.5 percent and 43 percent respectively (ECLAC, 2004). All of this in a regional context where by and large, external Latin American governments' debt was growing exponentially putting pressure on their fiscal balances through debt management liabilities, (see Figure 1) creating limitations to their capacity to address wider development challenges.

Figure 1: External Debt in Latin America (1980-1999)



Source: Cepalstat (2021)

Therefore, at the turn of the millennium, a generalised political shift towards the left brought about the rupture of the hegemony that forces of the right or centre-right had previously held throughout the region, in what became widely known as the Latin American *Pink Tide* (Lievesley and Ludlam, 2009). The pink tide describes a period of post-neoliberal governance and development that goes beyond the Washington Consensus, where left or left-of-centre governments were democratically elected with the promise of delivering programmes that sought to renegotiate the relationship between the state and market through both a rejection of neoliberalism, and by pioneering new forms of inclusive welfare (Grugel and Riggirozzi, 2018), through coordinated state management of the economy (Tussie, 2009). The trend which began in 1998 in Venezuela, swept across some of the major states in Latin America in the

following years (albeit not all) including, Argentina, Brazil, Bolivia, Chile, Costa Rica, Guatemala, Ecuador, Nicaragua, Paraguay and Uruguay (Panizza, 2009).

Left-of-centre Latin American governments were elected by promising an end to the cautious pro-elite era of democratization through the pursuit of a more expansive approach to welfare spending (Panizza, 2005, 2009). Whilst the extent of the pink tide's shift towards the *left* is up for debate, the shift towards a more redistributive state model is not. With regards to the left-wards shift, the level was, and remains contested. Panizza (2005) argued that these post-neoliberal regimes did not represent a dramatic shift to the left and that this could be better characterised as a shift that bends and re-moulds the previous neoliberal discourse rather than a wholesale shift. Leiva (2008), and Iñigo-Carrera (2006) both define post-neoliberalism as merely neoliberalism *with a human face*. However, Lynch (2007, p. 327) argued that the turn was leftist because it draws from 'what the left has meant (for the most part) in Latin America in the past century: [...] social justice, and a better distribution of resources'. Panizza (2005) points out that matters of social justice, the core of the post-neoliberal agenda, have been at the core of left-of-centre governments.

What was evident was that many Latin American states did assume a more interventionist role in national economies, and state spending increased during this period through redistributive policies that supported enhanced welfare provision and with it, the forging of a new form of social contract between the state and the people (Wylde, 2011). However, and central to this thesis, this new form of social contract needed funding. Attempts at forging this new contract were made possible by increased state tax collection, which was buoyed by a super-cycle of commodity prices that strengthened Latin American countries' competitive advantage in natural resource exports — through which the majority of countries are integrated into the global economy (Ocampo, 2017). Increased taxes that were levied over these exports during this super-cycle opened up the pathways for governments to build the capacity for wealth redistribution to try and ameliorate the previous macroeconomic indicators and to address regional development challenges (Ocampo, 2008; Grugel and Ruggirozzi, 2007, 2009; Focanti, Hallerberg and Scartascini, 2016). This super-cycle that was originally driven by the expansion of large emerging market economies including China and India was the catalyst for an increase in prices of oil, metals, and agricultural products (Nem Singh 2014; Balakrishnan and Toscani, 2018). This situation created a strong economic tailwind which afforded governments the capacity to allocate a greater share of commodity revenues to social redistribution projects that would support the poor and the emerging middle classes

(Campodónico, Carbonnier and Vázquez, 2017), in short, it was an upwards and left-wards trajectory of the commodity cycle.

As a result, most administrations ‘were able to score quick wins with regards to welfare’ (Grugel and Ruggirozzi 2012, p. 8), and many left-of-centre administrations consolidated their popularity, with many leaderships becoming era-defining figures both domestically and internationally (Philip and Panizza, 2011). These quick wins were made possible by increased tax burdens across the whole region. The OECD measured that the regional tax burden had increased from an average of 17.5 percent in 2000 to 22.7 percent by 2016. Whilst still demonstrating a level of collection well below the average OECD tax burdens of 34 percent, by 2016, the region had closed the burden gap by around 5.2 percent (OECD, 2020).¹ As a result of these increased tax collections, which in turn supported wider welfare redistribution, during the early-2000s, socioeconomic indices improved dramatically and between 2002 and 2012, per capita household incomes rose above 40 percent in most large economies (78 percent in post-crisis Argentina), poverty was halved, and inequality levels showed an unprecedented reduction (with the Gini coefficient improving by eight percent) (Amarante, Galván and Mancero, 2016; Heidrich and Tussie, 2009). Pink tide Latin American governments had managed to address some of the short-term development challenges that were prevalent at the end of the nineties which had been the catalyst for calls for socioeconomic change.

Whilst the use of tax as a driver of social welfare redistribution has been well covered in political economy of development literatures, the collection of these tax resources is a neglected dimension. The importance of tax for redistribution within these literatures is not downplayed, they acknowledge that increased taxes provided the capacity for augmented state spending, but the collection of this revenue source remains a secondary concern. Moreover, the availability of this tax for development is largely assumed and is conflated with an underlying supposition that as commodity prices are entering the upwards trajectory of a super-cycle, that the revenues would therefore be available for collection. I argue that this does not always hold true, and that tax collection and the politics of fiscal legitimation is a central and underexplored mechanism supporting any development agenda.

Furthermore, as with all cycles, the ‘boom’ will be followed by the inevitable ‘bust’ and as this economic tailwind abated in the mid-2010s, the pink tide ebbed away with it. This has coincided with a swing back towards governance from the right or centre-right and in many

¹ The tax burden is a measure of all tax revenues including social security paid to the government as a proportion of Gross Domestic Product (GDP).

cases a retrenchment of the welfare state through curtailment of earlier redistributive policies (Lupu, 2016). During this period, the majority of academic focus has concentrated on this return to the right by highlighting the linkage mechanism between deteriorating economic performance resulting in political change. In these literatures, the fall of commodity prices is conflated with a downwards (and right-wards) shift within the super cycle curve as it presented limitations to earlier redistributive welfare spending and increased conflict because of this and in doing so, it highlights a symbiosis between the two. Academic analyses covering the ebbing away of the pink tide still pale in comparison to those dealing with its rise, the deterioration of these post-neoliberal governance projects has stimulated debates about the region's difficulty to break from their historical dependency from global markets, and the implications this dependency has for the functioning of democratic politics in the region (Ruckert, Macdonald and Proulx, 2017; Grugel and Ruggirozzi, 2018; Rojas, 2017).

This thesis seeks instead to draw attention to the complexities of the fiscal relationships that governments have with their citizens by introducing an extra level of analysis to this period of development. It argues because of how complex and politically polarising tax collection is, that factors including political, social and economic ideas and interests need to be taken into account within wider external economic considerations, including the upwards and downwards curve of the commodity boom. In short, both endogenous and exogenous factors need to be explored. This is because all of these social factors easily influence tax collection and in turn, impact on the role of tax in development. Therefore, this thesis aims to address the gap in the literature relating to tax collection debates during the pink tide by engaging with tax for development during both the expansionary (early) and contractionary (latter) phases from the collection side. By so doing, the thesis makes an original contribution to tax for development literatures. It focuses on how governments tried to justify tax hikes with the citizens on whom the burden fell and explores the challenges of tax collection. Whilst I do engage with some aspects of the tax spend, I approach this spend from the under explored side of tax collection and the sustainability of the spend. The thesis contributes to knowledge on social aspects of tax for development debates by shifting the focus to tax collection and highlights the importance of applying a social lens, as tax is where the infrastructural power of the state intersects with society (Brautigam, 2008).

Export Taxation in Argentina

Argentina provides an emblematic case study through which to explore questions of tax collection for a number of reasons. First, because in the early-2000s in Argentina, export taxes were not only viewed by the left as an opportunity to extract surplus ‘rents’ from of an upwards cycle of commodity prices, but they became de facto a primary source of income into the state following the largest debt default in the world in December 2001 (at that time) as international borrowing was no longer an option. Tax questions, in other words, become critical to the functioning of government. Second, tax questions are historically unresolved and conflictual in Argentina. And it is precisely because they remain unresolved that prior to the pink tide period, development in Argentina was underpinned by borrowing and debt as an alternative to tax collection. Therefore, the fact that governments were unable or unwilling to address tax, led to spiralling national debt levels in the nineties which culminated in the 2001 financial crisis and debt default.

Furthermore, Argentina is an illustrative case of a Latin American country where wealth has traditionally coalesced around its exporting sector, which, in this case, is dominated by agricultural exports (Gerchunoff and Llach, 2010; Hora, 2020). Manzetti (1992, p. 585) argued that ‘Argentina’s history has been profoundly influenced by the development of its agriculture’. There are influential actors in this sector that have traditionally clashed with governments that have sought to intervene in its interests through tax with the purpose of extracting revenues from the sector to distribute elsewhere in support of development. Whilst there are many influential actors and associations — with asymmetrical interests — involved in agricultural production and exportation in Argentina, historically, the most influential are those actors who own or control the means of production including large and smaller landowners and producers and they are commonly referred to as ‘rural producers’ who operate within the ‘rural sector’.² These commonly deployed terms will be used throughout the thesis with a deeper exploration of the rural sector’s structure provided in Chapter three. However, what is important to highlight here is that since gaining independence from Spain in the nineteenth century, wealth in Argentina has centralised around the rural sector as a whole (in one way or another) or as it is commonly referred to ‘the Countryside’ *el Campo* (Hora, 2001, 2010, 2020; Gerchunoff and Antúnez, 2002).³

² Whilst these rural producers are influential in Argentina, the sector is weaker and more fragmented than rural sectors in other Latin American countries such as Brazil (Giraudó, 2020).

³ Where I need to make a distinction within the rural sector, I will do so by detailing the agrarian associations with which the producers are members as this defines their size and interests, or by landowning elites to describe the biggest traditional landowners introduced in Chapter three.

Historically, tensions between left-leaning governments and the rural sector have coalesced around asymmetrical visions of the state. Whilst there had been growing tensions between the government and large landowners within the rural sector in the late-thirties and early-forties, it was not until the first presidency of Juan Perón (1946-1955) that government intervention which detrimentally affected the interests of the largest of these landowners ignited tensions around natural resource taxation that would set the scene for decades of conflict. Here, tax became political and contentious because the redistribution of revenue that was taking place from the landowners through centralised price controls, was utilised to support the social and economic agenda of Juan Perón and the Justicialist Party *Partido Justicialista (PJ)*. Embedded within this agenda was the pursuit of social justice and the shift towards industrial development (James, 1988). These were overriding rationales for taxing the landowners and for redistribution of wealth away from the rural sector. This tax over them would create deep long-lasting political cleavages between landowners and Peronists that sits squarely with opposing visions about what the state is there for, a debate which became more polarising in the mid-twentieth century in Argentina.

With the arrival of President Perón, a new working class that had been slowly building around an increased level of manufacturing in Argentina, would converge around a political party and would benefit from increased wages, improved working conditions and a strengthened union movement (James, 1988). President Perón was able to consolidate this new working class because workers found their political expression in the labour-based PJ (Elbert and Pérez, 2018). Therefore, it pitted the traditional landed class against the working classes, because the government was detrimentally affecting the interests of the rural producers through price controls for the benefit of the nascent working classes. Beginning in this period, workers became key players embedded in Argentine social and political conflicts — conflicts that were not confined to Argentina but were prevalent in a wider regional context (Collier and Collier, 2002). These political cleavages between classes coalesced around asymmetrical state visions of which tax was both central and a fault line. This political polarisation and tension around tax remained un-resolved throughout a turbulent twentieth century, until the early-2000s when the export taxes that had been so contentious made a return, but conflict would not, immediately.

Post-2002, the Argentine tax burden increased dramatically and with this increase, the space to underpin a programme of social redistribution. The tax burden was lifted from 18.4 percent in 2002 to 31.5 percent by 2015 (Ministerio de Hacienda, 2021). This burden was supported by the reimposition of export tax rights *los derechos de exportación* or export

withholdings *retenciones* over the rural producers as part of a wider programme of emergency taxation. Cetrángolo and Gómez Sabaini (2010) define these emergency taxes as taxes that are implemented in *extremis* and which are additional to the current tax design. With this definition, emergency taxes represented just under a quarter of all taxes collected in 2002 at 22.2 percent of tax take. However, six years later, they still represented 20.6 percent of the tax take by 2008. Furthermore, the share of export taxes in this emergency tax framework actually grew from 12.6 percent to 13.4 percent over the same period — they remained in place until 2015, long after the emergency had subsided and still represented half of the emergency tax take albeit at a lower level. This was no small feat that an Argentine government had managed to tax the interests of the rural producers through the policy of emergency taxation that was implemented under three presidents from the PJ: President Eduardo Duhalde, (2002-2003) Néstor Kirchner (2003-2007) and Cristina Fernández de Kirchner (2007-2015).

Whilst President Duhalde was appointed by the Argentine Congress to lead the country out of the 2001 debt default and economic crisis situation, both Kirchner Presidents represented a return to the left of the Peronist party. Kirchnerist governance, or Kirchnerismo as it is widely denominated in Argentina and will be (referred to in this thesis) holds many similar traits to Peronism, it was elected into power on a left-nationalist platform (Panizza, 2005), championing a rejection of the neoliberal discourse of the nineties, deeper social embeddedness through increased distribution, and enhanced state intervention into the economy. However, Kirchnerist governance is representative of a less holistic form of social welfare provision than that which was implemented under the first Peronist government and instead represented a more targeted approach to redistribution, or as Grugel and Rigigrozzi (2009) argue, more of a neoliberal safety net. Wylde (2012) highlights other asymmetries and argues that the relationships between Kirchnerismo and the unions are weaker, whilst relationships with the business community were (initially) stronger (Etchemendy and Collier, 2007). Although these differences between Kirchnerist and Peronist governance are undoubtedly evident, the Kirchners are associated with the left of the PJ and as such, they implemented a more interventionist state model through welfare redistribution that was funded through tax hikes which lasted for 12 years.

These export taxes were originally accepted as a necessary response to emergency. They were intrinsic to driving up the tax burden which in turn supported both presidents' programmes of social redistribution. However, taxing the rural sector became complex and problematic for the government of Cristina Kirchner when the context of emergency faded and therefore the rationale of the taxes changed. And with this change, their legitimacy was

challenged. The Kirchner's initially had legitimacy to tax exports for emergency, when there was no longer an emergency, but taxes were hiked, this fed into a growing re-distributional conflict with the sector, but the taxes remained. Furthermore, as taxes were levied over natural resources whose prices are historically volatile and outside of the control of the government, this created tensions in the funding model of a programme of social redistribution that was consistently levied — and in some cases increased —, which was placed under further pressure, because both fiscally and politically, it was difficult for Cristina Kirchner to borrow internationally to finance public spending. These pressures increased when wider macroeconomic phenomena added downwards pressure to the fiscal position of the government post-2010 when public spending was increasing, but collection was falling. So, this complex and historically contentious relationship between government and the rural sector remained central to the continuation of the government's spending programme.

Research Questions

Under Kirchnerismo, the governments managed to increase, collect, and redistribute taxes from a sector where this had historically been problematic and conflictual. This puzzle frames the three principal research questions of this thesis:

- (i) What factors enabled the Kirchners to follow an emergency export tax regime for 12 years?
- (ii) Was there a tax consensus over the collection and redistribution of export taxes during this period?
- (iii) What were the limitations to the legitimisation of the new tax regime under the Kirchners?

To answer these questions, the thesis analyses the political economy of taxation during this period by exploring the factors that firstly allowed for a strengthening of tax collection in this pink tide period, and then factors that challenged this. It explores the social conflict that structurally exists in Argentina around tax, and many developmental states, where fiscal pressure to fund the state apparatus falls on a limited set of actors with surplus revenue to be collected. To do so, it approaches the research questions through an analysis of social factors

that influenced the fiscal contract between the government and the rural sector and in turn, affected wider tax and development questions. As I approach the questions with a focus on social factors, conceptually the thesis draws from literatures in historical sociology along with political economy of development and taxation literatures and through these literatures, it engages with concepts of the fiscal contract, emergency governance, legitimacy, consensus, political conflict and political polarisation. It then applies these concepts as a framework to empirically analyse data that was collected from a wide range of sources — a comprehensive list of these is included in the following chapter along with a detailed presentation of the research methods and the analysis techniques that framed this thesis — that included: actors from within the rural sector, government representatives from both Tax and Agriculture Departments, opposition politicians and representatives from other sectors (showing how the conflict transcended traditional fault lines), these and other sources enabled me to trace the trajectory of social conflict around the tax design to explore the challenges of tax legitimacy.

Applying these concepts helps me explain why the government (initially) successfully managed to collect tax from the rural sector during this pink tide, but also to identify the limitations to this design and to what extent tax collection and the fiscal contract had an impact on the Argentine pendulum's political and economic shift both back towards the right and back to market hegemony in December 2015 (Diamand, 1983). This framework enables the research to explore the conflict that exists in tax debates when tax increases are used as the bridge between the productive capacity of the economy and the economic aspirations of society (Gerchunoff, Rapetti and De León, 2020).

By approaching tax and development debates through the politics of fiscal legitimation, and by exploring the concepts presented thus far, a summary of research findings that this project offers are as follows: First it concludes that the 2001 crisis bestowed temporary legitimacy on the export tax design which enabled subsequent governments to levy and collect taxes over the rural producers for the explicit reason of crisis response. Second, this legitimacy was fragile and when the context of emergency faded and taxes were again increased, this generated social conflict because the Kirchners did not have legitimacy to tax the producers for a further programme of social redistribution. Whilst they had legitimacy to tax for emergency, they didn't have legitimacy to tax for an interventionist state model of development which attributed to rising social tensions. Third, because of the conflict that was generated by these taxes when their rationale changed, the idea of *retenciones* became crystallised with this tension and social conflict and as such, became embedded in arguments of development which sit squarely with opposing ideas of the state, it became a fault line. In short, during this period,

export taxes became inextricably enmeshed with the idea of an interventionist state, or more specifically a Kirchnerist statist vision. Finally, in the closing years of Kirchnerismo (2013-2015), a confluence of factors would mean that there was a growing social conflict and tensions that would transcend traditional cleavages — to encompass other social groups — that were underpinned by opposing ideas of development, of which the taxes remained firmly embedded. To arrive at these conclusions, and to conclude this Introduction, I will present the structure of the thesis in the following section.

Structure of the Thesis

The Thesis is structured in eight chapters in addition to this one. The methods and methodology that were applied throughout this thesis research are set out in detail in the following short chapter. Then, in Chapter two, in the first part of the literature review, this chapter explores the historical role of taxation as it has been understood in literatures from world history, political economy and historical sociology. It does so to demonstrate the centrality of tax to development but also helps build the conceptual framework around social factors to highlight how complex and problematic tax is to collect and how central the fiscal contract between state and society is to funding state obligations. Then in the second part, the chapter explores these concepts in light of additional structural challenges evident in Latin America that affect tax collection and tax legitimacy. It introduces structural limitations to the fiscal contract that are embedded in state society relations which builds context to introduce the historical Chapter three. By introducing Latin America social fiscal challenges in this chapter, it provides a deeper conceptual understanding of factors that shape the level of legitimacy of tax reforms by approaching these fiscal contracts through both vertical tax exchanges and horizontal political community ones which demonstrate the complexity of tax design.

Chapter three traces the historical evolution of tax and its role in contemporary development in Argentina. It begins by exploring regional economic integration into global markets which builds context to explain structural economic challenges and underpins how wealth became centralised in the Argentine Pampas and with it the creation of an influential landowning class. By doing this, it starts to develop the context needed to explain, why, historically taxing this sector has been so contentious and politically polarising. The analysis develops from the first Peronist government in 1946 and traces the role of tax in development through tumultuous periods where governance changed frequently between democratic and military rulers until 2001. In doing so, it demonstrates that by not addressing questions of tax,

other state financing frameworks including growing debt, have direct societal impacts which in turn, detrimentally affect development.

Chapters four and five begin the analysis of the role of taxation in Argentine development during the mandate of President Néstor Kirchner (2003-2007) and the first mandate of President Cristina Fernández de Kirchner (2007-2011). The chapters explore emergency governance and the reimposition of the export taxes and the low level of social conflict that these engendered within the wider political economy of taxation. It then explores the trajectory and shift in the rationale for the utilisation of the tax regime and the rising social conflict with this shift. It explores tensions around conceptualisations of the state of which tax becomes a fault line. The analysis shows that tax remains contentious and politically polarising and that incidences during this period would reignite historic political cleavages that would in turn impact on tax questions that would become problematic in the final Kirchner mandate.

Chapters six and seven take the empirical analysis beyond one that is just centred on tax, but now include factors that have an impact upon tax questions. They analyse the second mandate of President Fernández de Kirchner (2011-2015), but they do so through a dual narrative. Chapter six engages with the period by applying a political economic lens, whilst Chapter seven proceeds through an analysis of the growing partisanship, political polarisation, social tension and a regrouping of the right. The analysis of Chapter six highlights the perspective that during this period (2011-2015), structural economic factors meant that it was becoming more challenging for the government to meet societal economic aspirations, which a large voter base had been built upon. Therefore, it unpacks challenges that led to the government trapping itself in a cycle of redistributive policies. Following this, I will introduce a pattern of growing political polarisation and increasing tension around the Kirchnerist statist model in Chapter seven and explain how it became more than a debate about just export taxes, it went beyond tax. But I will highlight that we cannot unpack *retenciones* as a separate fiscal issue, they need to be looked at in context with broader issues.

Finally, Chapter eight brings together the main findings of the thesis. The chapter summarises the chapters' analysis, major arguments and contributions of this doctoral project in relation to the research questions. It shines a light on the complexities of legitimising tax reforms and argues that structural economic factors in Argentina add to these complexities and that deep rooted cleavages surrounding the Peronist conceptualisation of the state, remained a fault line for taxing the interests of the rural sector. It offers an insight into the broader implications of the project including tax and development in difficult times, state financing in extremis and emergency governance, pointing to the future direction of the research.

1. Methods

Before introducing the theoretical and conceptual chapter which explores the various conceptual tools that I will use to carry out the research, I set out in this short chapter the methodological approach, the methods used and a detailed explanation of the data collection process that has been employed in this thesis. I show why the research design and methods that I have used are the most useful for the project and for answering the research questions, though I also acknowledge the methodological challenges and limitations that I faced and detail what steps were implemented to overcome and ameliorate these difficulties.

Empirically, the principal aims of the thesis are to explore the factors that influenced (and were influenced by) a programme of export tax collection that was supporting a framework of social redistribution under Kirchnerismo in Argentina (2003-2015). Conceptually, the thesis seeks to contribute to wider debates about tax and development. As such, the thesis is situated within Political Economy of Tax and Development debates in order to explore the interplay between global and national economic systems and politics through the lens of state society relationships, using Argentina as a case study. In particular the thesis examines the tensions between the fiscal needs of the state, especially under a government committed to increased social spending, the limitations of a tax and development system based on the predominance of export production, and competing social, economic and political ideas and interests in relation to tax and spending. Therefore, the interactions between state and non-state actors are central to this research project, which in turn guided the methodological approach. As I approach the research questions through questions of tax legitimacy and the conflicts around it, qualitative factors were essential to carry out an analysis of this process of legitimisation and conflict.

Therefore, to explore tax policies and the political, economic and social factors that shaped those policies, a qualitative analysis is employed in this thesis but is supported by the exploration of a wide range of statistical data within a mixed methods research design. One of the overriding rationales for utilising a mixed method design is that it enables the researcher to build a more complete picture that could not be generated by using a single method alone. Bryman, Becker and Sempik (2008) argue that each source of data represents an important part of the jigsaw. Mixed methods research is a methodological approach whereby the researcher(s) combines elements of qualitative and quantitative data analysis for the overarching purpose of increasing the breadth and depth of understanding of the research project (Schoonenboom and

Johnson, 2017). Mixed methods enable the development of rich insights into certain works which would not be possible by solely utilising qualitative or quantitative methods (Venkatesh, Brown and Bala, 2013). The utilisation of mixed methods in research design has also been advocated as not only being richer, but more reliable than utilising a single paradigm (Mingers, 2001). In this sense, it enables triangulation of data and provides a wider optic to a research problem. The researcher is looking, ideally, for a ‘convergence of the data collected by all methods to enhance the credibility of the research findings’ (Hesse-Biber 2010, p.3), or contradictions and tensions between data sources that might require analysis and discussion.

This combination of methods is typical of those utilised in the field of political economy of development with a whole tradition of qualitatively led political economy of development research supported by macroeconomic statistical data. Philips (2017) highlights that in conducting political economy research she has:

Sought to embrace what might be described as a ‘magpie’ approach which involves pursuing a variety of methods for collecting information taking insights from wherever they are to be found and relying on the cumulative results of research for building my account of the political economy of [...] (Phillips, 2017).

This research utilised a cumulative approach to data collection. It does lead with qualitative data collection and draws from a variety of quantitative data sources in a ‘magpie’ approach and through the process of triangulation, it builds a political economic account to answer the research questions. Therefore, in doing so, it joins a long tradition of qualitative research supported by quantitative data. Triangulation of data helps increase the persuasiveness of evidence and it can elaborate understanding and confirms the accuracy of many data sources (Downward and Mearman, 2007). By utilising triangulation of both quantitative and qualitative data collection, the research is able to test the validity of qualitative insights, or it is able to use qualitative insights as preparation for quantitative work to ‘elucidate a phenomenon in as much detail as possible’ (Danermark, Ekström and Karlsson 2019, p.153).

In European, and more specifically British, political economic studies, research design has traditionally heavily relied on qualitative methods rather than the strong quantitative methods that underpin U.S. political economic research. This project does not deviate from the British methods and as it studies social aspects of tax, it requires a qualitative approach and therefore, it is underpinned by quantitative data collection (Odell, 2001). Qualitative methods were employed to explore understandings, perceptions and interpretations which enabled the

research to engage with the underpinning reasons and rationales behind the nature of the tax regime and compliance with it. To do this, a series of semi-structured elite interviews were carried out. Interviews are essential to mixed methods research design, and 90 percent of social science research utilises interviews in one form or another (King, 2004). Firstly, they allow the researcher to access primary data which may challenge ‘official’ government narratives or accounts and therefore highlights areas for analysis and discussion. Secondly, they are fundamental to gain more insights into underlying contexts, inter-governmental workings and state-society relationships, which would enrich the research (Lilleker, 2003; Morris, 2009). Furthermore, the insights gained from interviews can make up for any scarcity of information and limitations in documentary evidence (Tansey, 2007). The selection process and methods utilised for these semi-structured elite interviews are presented in the following section where the data collection ethical considerations and interview processes are explored in greater detail.

Quantitatively, the research uses government data documentation which includes archival tax policy documents, national accounts and treasury records demonstrating changes to tax design and the results of their implementation. These documents were analysed against wider macroeconomic figures from a range of national and international sources. Whilst this quantitative data is used extensively throughout the thesis, I did not carry out any advanced quantitative analysis, instead these macroeconomic indicators are used to trace the impact of the tax design and alongside the semi-structured interviews, to assess the different rationales behind this. Furthermore, they are used to assess the health of national accounts which was essential to provide context for the analysis of fiscal incentives and restrictions and is in line with Strange’s (1996) recommendation to *follow the money* when asking questions in International Political Economy (Lebow, Schouten and Suganami, 2016).

Quantitative data was utilised and compared to build up a framework to understand the effects that tax had following reforms and the level at which the reforms actually took place. A descriptive design enabled the research to employ longitudinal methods including triangulation and process tracing to evaluate the data (Odell, 2001). I will explore in greater detail later in this chapter the rationale for the choice of data sources and why the triangulation from multiple sources was necessary to complete this research in as robust and impartial a manner as possible. However, what is important to highlight here is that it was not only official documents that were created by the national tax agency or central bank or by other official government institutions that were analysed, but data contained in reports that may have been collected for another reason were also analysed through the triangulation process, highlighting the potential value of secondary data (Masefield et al., 2020; Omukuti et al., 2021). All of

which demonstrates its suitability as a research design choice that fits into a long-standing research tradition within political economy of development literatures. I will now proceed to the case study selection and argue Argentina's suitability for this project.

The Value of a Single Country Case Study

The thesis relies on data drawn from Argentina as a single case study. Single case studies in political economy research have been used to develop and critique diverse concepts and theories from dependency to international power and market liberalism (Odell, 2001). Case studies have been utilised to illuminate 'virtually every subject studied by political economists' (ibid., p.161). And, although the research will focus on one country and the limitations of this design are highlighted separately later in this chapter, it is based on a view that single case studies using qualitative data (in entirety or within a mixed methods design) still generate data for generalisation and theorisation. 'More comprehensive and more detailed contact with concrete instances of the events and behaviour about which we wish to generalise helps sharpen distinctions' (Odell 2001, p.169), and enables research design to explore a concrete case study more deeply. Whilst Yin (2004) argues that single case studies can be used to effectively 'confirm or challenge a theory', others point to the importance of establishing parameters of single case study research (Tellis, 1997). Odell (2001, p.162/163) argues that within the field of political economy, the single case study represents a 'family of research designs' which are not mutually exclusive, and work can fit into more than one category. One of these prevalent designs is denominated as the *Disciplined Interpretative Case study*, a case study design that is selected for investigation of recent or seemingly intrinsically important events. Within this research design, Odell elaborates that major events such as wars, the onset of the Great Depression, the creation of the Bretton Woods institutions, and decisions to change domestic economic institutions have 'probably sent history down a track different from what would have occurred otherwise'.⁴

This research continued this trajectory by selecting Argentina for this single case study research design. Whilst its empirical suitability was highlighted in the introduction, Argentina's suitability for a single case study research design is underpinned by a number of factors. Whilst it has had a troubled developmental history, which will be explored in Chapter

⁴ For elaboration on this family of research design see Odell (2001). Other categories include the descriptive case study, the preliminary illustration of a theory, hypothesis-generating case study, theory confirming case study, theory infirming case study and the deviant case study.

three, it is a representative country of the Latin American pink tide. More specifically, because Argentina was responsible for the largest sovereign debt default in history during this period, it fits squarely with the argument that single case studies help analyse major events, (Feldstein, 2002). Furthermore, because in the aftermath of this default, there was a programme of post-crisis recovery that was supported by emergency tax hikes, it sets the scene to analyse a major event and the government's reactionary emergency fiscal response. This tax was implemented in a context of deteriorating external financial options where tax became the main pathway for the Argentine government to finance its obligations, and therefore presented the conditions as a case study to explore the research questions and conduct this political economy of taxation project as a single case study.

Data Collection

To support the qualitatively led research design, data collection and fieldwork were conducted over a period of three months in 2019. During this period of fieldwork, and due to a wider research collaboration between researchers at the *Universidad Torcuato Di Tella* (UTDT) in Buenos Aires and researchers at the University of York, I was a Visiting Investigator in the department of Political Science and International Relations. Apart from a physical base in the department from where I was able to carry out both primary qualitative data collection and secondary qualitative and quantitative documentary research analysis, this base was important to this research for two major factors. First, there is a wealth of academic expertise in UTDT that aligned with this research project and therefore, there were increased chances to gain access to contacts and interviewees, that otherwise may not have been possible. Academics and support staff were therefore instrumental in 'opening doors' to connections and potential higher-level interviewees throughout my stay. Second, this base provided a wealth of written documents and wider data resources that I had complete access to, both during and after my stay.

During the fieldwork period in Buenos Aires, a total of thirty-two semi-structured interviews were carried out, with a further two interviews conducted via Skype when I had returned to York. The interviewees were selected from a wide a range of actors to ensure that I analysed data collected from multiple perspectives of this tax debate to fully understand its complexities. Therefore, the targeted interviewees ranged from actors who were involved in the design and implementation process of the export taxes through to representatives of those who shouldered the tax burden and also officials who worked to ameliorate the reactions that

this tax engendered. Whilst a comprehensive list of interviewees and the sectors that they represented is included in the Appendices [Appendix 1], to expand on the breadth of the thesis' data collection, interviews were collected from the following types of organisations:

- Ex-government Ministers — from both Tax and Agricultural Departments
- Treasury representatives
- Argentine Rural Sector representatives
- Trade Union representatives
- Tax collection agency representatives
- United Nations representatives
- Tax experts
- Legal experts in tax
- Media representatives
- Economists
- Academics

Interviews were primarily conducted in Spanish, but a number were conducted in English. The interviews that were conducted in English were done so because the interviewees spoke English with a high degree of fluency (and in many cases they wished to take the opportunity to practice speaking English). The interviews that were conducted in Spanish, I, myself translated into English during the transcription process.

Before travelling to Buenos Aires, I was successful in arranging a number of interviews before leaving York, these interviews were secured through social media channels and email enquiries. Following the initial success in securing interviews before travelling to Argentina, subsequent interviews were obtained through contacts at UTDT and then through the process of 'snowballing', where an interviewee would recommend one, or in some cases multiple contacts for further interviews. Furthermore, I was introduced to some interviewees during a research seminar that was part of the collaborative project between UTDT and the University of York, one of which was very fruitful and led to a number of other interviews and to the interviewee providing me with a wealth of resources from the Ministry in which they had worked during Kirchnerismo. Apart from two interviewees who were geographically located outside of Buenos Aires (Mendoza, Argentina and Pennsylvania, U.S.), all interviews were conducted face-to-face throughout the fieldwork period. And as all the interviews were carried

out in a semi-structured format, it gave interviewees greater autonomy to speak freely and extensively following broad and open-ended initial questions. Whilst earlier interviews were conducted through a more exploratory process, questions throughout the process were modified to try and access more detail about the influences that guided the tax processes.

The majority of interviews took place in public spaces, such as in cafes, interviewees' workspaces or universities, but there were some instances where interviewees invited me into their homes. This was either because this arrangement fitted in with their working day or in a couple of cases, due to the sensitive nature of the discussions, they indicated that they felt more comfortable to discuss these issues in a non-public place. Furthermore, what was self-evident was that the interviews were being conducted in a country where interviewees are very hospitable. There were numerous occasions where interviewees requested to conduct these in their places of residence so they could offer refreshments, which fits in with the Argentine informal hospitality culture. In fact, during my stay, I found all of my interviewees to be very hospitable and the process of being invited into homes and offered drinks and food during the interview allowed for a more relaxed and open atmosphere during interviews (Harris & Roberts, 2003). The interviews that I did conduct in residents' homes were always in Spanish and I found that there was a greater sense of openness and calm which elicited for deeper interviews and enhanced data collection.

The storage of the interview data was carried out in accordance with the University of York's ethics approval and as such, all interviews were only recorded with prior permission of the interviewees. This was given in all but one interview. The anonymised interviewee requested that I did not make a recording of our interview and instead agreed that I could take extensive notes during the interview, during which they gave me time to ensure that I had written down their points as discussed. These were typewritten following the interview and stored securely. Anonymity was offered to all participants, but this was refused in the majority of cases with the participants more concerned that their perspectives were correctly attributed to them in the research. Anonymity was only requested and subsequently granted in six interviews with all other participants happy for their perspectives and identities to be utilised within the research.

As only the qualitative elements of the mixed methods research design are fulfilled by carrying out semi-structured interviews, any gaps in the primary data need to be bridged by the exploration and triangulation of secondary statistical quantitative data sources. Therefore, official statistics from both government and non-governmental sources were used. This, Blatter and Haverland (2014) argue is important, as it ensures that there are 'factually anchored causal

moments from which we can derive important signposts'. Therefore, to complement the semi-structured interviews and documentary analysis, statistical data extrapolated from: fiscal and balance of payments accounts, international commodity data, key development indicators including poverty, unemployment, inflation, Gini coefficient index and national currency reserves, were utilised to support the qualitative data collection. These data were accessed through a number of official national sources and institutions including through the national statistics agency:

- INDEC, *Instituto Nacional de Estadísticas y Censos de la República Argentina*
- Argentine Central Bank, *Banco Central de la República Argentina (BCRA)*
- National Tax Collection Agency, *Administración Federal de Ingresos Públicos (AFIP)*
- The Treasury, *Ministerio de Hacienda*
- The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) *Comisión Económica para América Latina y el Caribe (CEPAL)*
- OECD
- The International Monetary Fund (IMF)
- The World Bank

In addition to these institutions, secondary statistical data sources were utilised. These sources were an important resource, especially when obtaining more historical economic indicators. To obtain these statistics, I explored the work of prominent economic historians, whose statistics have underpinned more contemporary and wide-ranging political economic research (Bulmer-Thomas, 1995; Gerchunoff and Llach, 2018). As well as national official and historical secondary data sources, economic reports that had been produced by non-state organisations, economists and academics were simultaneously utilised in an attempt to mediate against some of the limitations of data gathering that I shall explore in greater detail in the following section. Whilst most of these data sets were published and accessed online, there were several data sets that were obtained in person during the interviews and which in some cases represented personal data sets that the interviewees had access to — either that they had created themselves or through their work. In addition to the semi-structured interviews and statistical data presented thus far, the final piece of the data collection methods in this project was the engagement with a wide range of literatures that helped to both enrich the project and were essential to answer the research questions. I drew insights from both Argentine and

international authors in English and Spanish from the disciplines of International Political Economy, Political Science, Comparative Politics, Historical Sociology and Economic History. All of which allowed me to approach the research in the way that I did.

Overcoming the Limitations of Research Design: Acknowledging Positionality

I have argued that there are clear cut benefits for the use of a single case study in research, including depth and particularity and the fact that this approach is used frequently in political economy of development research. Nevertheless, epistemologically there are limitations to this research design. Research methodologies utilising single case studies have brought into question the subjectivity of the researcher which is a general critique where there are researcher dependant methods employed which are less formalised (Verschuren, 2003). Furthermore, limitations are witnessed in the epistemological challenge of deriving general conclusions from assumptions and the utilisation of semi-structured interviews and the extracted data from them, presents limitations in perspectivism (Sinopoli, 1994). Here, numerous epistemological phenomena are subsumed within the reliability and validity of the interviewees' data and the asymmetries presented between discourse and actions. Arguments and perspectives will be influenced by the scope of the interviews which could appear normatively loaded through actors that are not included in the research design. In addition, although data was collected from actors that cut across a vast swathe of society, the assimilation of this interview data when collected in the metropolis may not fully reflect national perspectives on tax, for example in rural areas.⁵ Furthermore, issues of selection bias are inherent in the snowballing process as it is more likely that an interviewee will refer someone from a similar political perspective which increases the chances of skewing the data collection process (Biernacki & Waldorf, 1981). Therefore, in order to avoid this trap, both the interviewees and the sources of data used should aim to be from a wide range of sources and across wide sections of politics and society as possible to enable the process of triangulation.

This is an important point and one that is all the more salient when carrying out research within the political economy of development in Argentina because historical political cleavages, particularly around Peronism, run deep and with it does the argument about the classification of the Argentine state. What this means is that discussions about tax funding welfare and social redistribution are enmeshed in tensions around Peronism, a point which I

⁵ In 2020 Greater Buenos Aires alone was estimated by the UN to be home to 34 percent or 15 million of Argentina's 44 million population (United Nations, 2021).

engage with throughout the thesis. Post-2008, the political polarisation around Kirchnerist governance highlighted that these political cleavages — which had been largely subsidiary in Argentina throughout the nineties and during early-Kirchnerismo (2003-2007) — remained unresolved. De Luca and Malamud (2010) highlighted this point by arguing that the polarisation under Kirchnerismo was unprecedented, and only comparable to Peronism in the forties. I am highlighting this here to show that when researching the policies of the Kirchners and the Peronist party, they are highly polarising with passionate supporters both for and against the movement and these passions should be considered throughout the research. This polarisation extends to all spheres of public life, including universities. This cleavage was evident between various academic institutions in Buenos Aires with universities aligned with both sides of the Peronist argument. This level of political divide was evident throughout the vast majority of the interviews, which in some cases led to visible frustration and tension with participants answers. In one interview after an interviewee asked where I was based, and I explained that I was based in UTDT they answered that:

It is because of some of the economists at [Universidad Torcuato] Di Tella that this country is in the state that it is in. There are some good guys there, [Bernado] Kosacoff is there, but the majority still don't understand economics in Argentina (Interview Anonymous A, 2019).

Therefore, this level of polarisation needed to be taken into consideration when analysing the interview data as the research subject remains so polarising in Argentina. In short, my positionality as the researcher and those of the interviewees are factors in this research project that I knew could impact on the research itself (Bourke, 2014; Rose, 1997). I needed to navigate the construction between the two — because this affected what people said — to collect as much data as possible, but to do so maintaining researcher impartiality. My position at UTDT was not the only influential factor that presented research limitations. Whilst not being able to change the fact that I am British, I needed to understand how my own positionality affected research outcomes. There was one occasion that the 1982 Falklands conflict was brought up in interview, albeit in a jovial icebreaker manner ‘why should I help you until you give us the *Islas Malvinas* Falklands back’. Whilst this was an isolated incident, and the interview was very helpful which also led to three more with ex-government ministers, it highlights how my position as a foreign researcher could influence the answers that were given.

Moreover, my physical positionality when conducting interviews in the homes of interviewees and its impact on the research needed to be taken into account. There were two of these interviews, one with a female interviewee (whose husband and young child were in an adjoining room) and one with a male interviewee. During these interviews, there was always a great deal that the interviewee wanted to say. They were on the whole, easier to carry out. However, my physical positionality about being in somebody else's home meant that whilst it did not affect the interviews in the end, it had the opportunity to do so. I created a number of supplementary questions to ask, in case I felt that there were questions that would be harder to ask in their home, but these were not needed, and, in the end, both interviewees provided detailed data that enriched this project and offered additional interviewees.

Furthermore, there was a perspective that because I was a researcher from a European country that I couldn't fully comprehend what was 'going on' in Argentina. This was highlighted by a heterodox economist, who framed the argument in a way that focused on my nationality. They said that whilst domestic orthodox economists do not really understand inflationary pressures in Argentina, there is even less understanding in foreign countries where there is *panic* when inflation gets above two percent — referring to the Bank of England's inflationary target set by the British Government. However, whilst this did not create any barriers to accessing interviews, and all interviewees were very friendly and accommodating, it did frame some interviewees' perceptions of me beforehand. But this also presented advantages. Through this perspective that Europeans had a lack of knowledge and understanding on matters of Argentine political economy '*Los Europeos no entienden nada*' I found that during the interviews that most interviewees took their time to explain processes and situations fully, which meant that it gave me more time to ask questions to draw out the data for the project. Whilst this led to lengthier interviews, it enriched my understanding of the debates.

What is also a salient factor is that these interviews were conducted in an election year (2019) and there were a few cases where there were some barriers in gaining access to some intended interviewees, those who were running for office that year. This was for two reasons; they were out of Buenos Aires in a number of cases, campaigning, and they were less willing to talk in other cases as they were expecting to re-join the government in December 2019. To overcome these limitations that were evident through both my positionality as a British man and based at UTDT and theirs depending on which side of Peronist cleavage they aligned with, interviewees from both sides of the Peronist political divide were sought from a wide range of

professions and an acknowledgment of this level of polarisation remained a constant factor throughout the triangulation of the data.

It was not only with interview data collection that there were limitations, but there were also real challenges in the both the collection of statistical data and the validity of some of the data that had been collected. Data that was published in Argentina by the national statistics agency INDEC during this time period was heavily criticised by the IMF and the World Bank as factually incorrect because of widely reported government intervention into the agency in 2007 (IMF, 2017). Furthermore, there are increasing cases of data disparity between different agencies in Argentina, that came to light throughout the research whereby the same data sets for the same periods from different institutions could show large inconsistencies between government agencies, autonomous national institutions, and other economic actors. Therefore, data from these institutions were carefully selected and used when they corroborated with other agencies' data and in cases when they didn't, these were triangulated with International Agencies with expertise in particular data sets such as the International Labour Organisation (ILO) for unemployment and the OECD for tax burdens to offset any limitations that these data presented.

2. The Politics of Tax in Latin America

Introduction

In this chapter, I introduce and engage with key debates and conceptual frameworks constructed around tax and its role in building the modern state. I highlight the importance of taxation in state-building through both revenue collection and as a pathway to secure external funding and loans. This chapter briefly presents the role of tax in building the modern state through the lens of world history and political economic perspectives. I show how war created the fiscal space for taxes to be levied in European states and how, in times of ‘extremis’, emergencies can bestow temporary legitimacy for new and innovative tax design and tax increases. Beginning with this macro-level perspective is important as these literatures demonstrate the salience of tax in creating the state, building capacity for the state to function and its evolving role within that state.

However, solely taking a state level perspective risks ignoring social factors that also have direct impacts on tax legitimacy, compliance and tax design. Therefore, I introduce historical sociological perspectives to show how some of society-level assumptions made about tax in earlier European state-level tax debates do not always hold true. I argue that one of the elements of the social contract, namely that tax legitimacy, should not be assumed nor become a subsidiary factor in tax theories, as legitimacy is difficult to build, fragile and contentious. As such, this chapter also explores micro-level or societal perspectives. In this sense, the chapter introduces the complexities of tax through the lens of the fiscal contract. To illustrate, I discuss political economic factors that, in Latin America, significantly shape tax design and that impact upon tax in different ways to Europe, which forms the basis for most of the conceptual literature. As such, I engage with concepts such as tax legitimacy, state visions, interest groups and political conflict, which I will argue throughout the thesis have the potential to create capacity but also structural impediments to building social and political consensus on taxation and, therefore, to sustainable tax regimes. Understanding the contingent politics of taxation, in other words, is as important as understanding the structural context. To enable me to explore the contentious tax puzzle in this period in Argentina, conceptually I will take forward the following: the idea of the ‘fiscal contract’ and how it can be legitimised, the politics of emergency governance, and political and party-based conflicts over tax, including conflict within political systems and between social groups, including interest groups and elites. These concepts will enable me to demonstrate that the micro lens is critically important to understand

the sustainability of tax and tax regimes and that politics cannot be separated from these debates.

Tax and the Emergence of the Modern State

The fundamental role of taxation in state-building has long attracted academic attention in the world historical and fiscal sociology literatures. Margaret Levi (1988, p.1) argued that ‘the history of state revenue production is the history of the evolution of the state’. Levi utilised Mann’s (1986) characterisation of a state as the centralised regulation of all important aspects of territorially bound social life (Mann, 1986). Within this centralised regulation, tax compliance, understood as the ability of the state to persuade or coerce citizens to comply with taxation frameworks, is seen as a measure of state capacity, a core link within a positive cycle where tax is needed to increase state autonomy and chances of survival, and states need capacity to collect tax (Mann, 1984 1986; Skocpol, 1985; Tilly, 1985). Tax supports the basic functions of an effective state (Prichard, 2010). Taxation is therefore a key indicator of what the state can do:

A state's means of raising and deploying financial resources tell us more than could any other single factor about its existing (and immediately potential) capacities to create or strengthen state organisations, to employ personnel, to co-opt political support, to subsidise economic enterprises, and to fund social programs (Skocpol 1985, p.17).

Both world history and political economy see taxation as the main method that governments use to finance government expenditure (Burgess and Stern, 1993, p.762), and lay the foundations for growth and development (Prichard, 2010). However, they provide different accounts of the evolution of events during the period of modern-day state creation in Western European history in the sixteenth to nineteenth century.

European State Building for War

World history scholarship holds that tax was intrinsic to the creation of the modern-day state and a driver of national development. I begin with the European case study because the way we understand tax, the state and state development today draws on how this happened in Europe (Landes, 1969), with modern (and contentious) tax frameworks first implemented in Tudor England (Bush, 1991). Tax theories thus have their deepest roots in the study of Europe where

they trace an evolutionary journey from coercive to tax for inclusion. World History studies understand tax as a tool for transformations and transitions across societies, cultures and periods. In this literature, war is embedded in the very creation of the state (Tilly, 1985; Mann, 1988; Moore, 2004; Fjeldstad, 2007). Schumpeter (1918) argued that the growing expenses of warfare acted as the foundations of the modern state (Schmidt, 2006). The general argument surrounding this debate is that powerholders in the pursuit of war initiated the extraction of resources from the populations over which they had control and in the process of this, the framework of the modern state was created.

Here the argument centres on the premise that war-making, extraction and capital accumulation, interacted to shape Western European state-making. Tilly (1985) argues that the state creation was an epiphenomenon of going to war with the goal of overcoming their competitors and thus expanding their power and/or territory (Tilly, 1985). Tilly argues that war and the need for taxation came first with the modern state being a consequence of this. It was in the financing of these conflicts, firstly through coercive methods and later through taxation and borrowing, which became embedded in the formation of states. It may be self-evident to say that wars required financing and that tax was central to it. 'Wars generate greater needs for resources whilst also providing temporary declines in the state's social constraints' (Centeno 1997, p.1567). This decline in social constraints allowed opportunities for revenue extraction, and bestowed legitimacy on the revenue collection when war was the rationale, with taxation legitimised by the threat of external violence.

Increasing and longer-lasting wars meant that there was also a growing need for increased state revenue to fund these wars. This situation paved the way for more professionalised tax systems that would replace earlier coercive methods and open up pathways for external loans. In the long run, to comply with the task of raising sufficient revenue to finance a prolonged war, it was inevitable that extraction from the local population would not be sufficient as its sustainability could not be guaranteed. Therefore, an asymmetrical pathway of revenue generation was required and rulers chose to implement a framework of regular taxation on the people and activities within their spheres of control (Tilly, 2002). Modern-day European taxation began in England (Moore, 1993; Moore, 2004; Tilly, 1985). The implementation of taxation is seen as one of the greatest achievements of the English Tudor period (1485-1603) where in the late seventeenth century, tax farming was supplanted by a framework of established permanent bureaucracies focused on collecting excise and custom taxes. Although contentious, it was then implemented in different variations throughout Europe (Bush, 1991). Intense military competition and the opportunity to conquer new territories

created a rising demand for revenue. European citizens accepted that war required extraordinary tax levies. War stimulated the parallel development of a permanent and professional revenue infrastructure. Rulers began to professionalise tax collection because of a growing importance of a steady and reliable source of revenue.

Western European states turned to an increasingly 'professional civil service' to manage tax revenue (Bräutigam 2008, p.5). The modernisation of the tax bureaucracy constituted one of the central 'sinews of power' that gave rise to the early English state (Brewer, 1989). However, even the most robust tax systems could not yield the very large increases in revenues required to comply with the threat of military action, quickly (Moore, 2004). A mechanism was required which would transcend the tax system and would enable leaders to borrow in times of emergency to provide the military edge, combining revenues that had been collected through taxation with large-scale borrowing. Lenders had confidence in the government's capacity to repay the loans on the strength of future tax revenues.

This led to the development of England as a fiscal state where revenues were derived from both the taxes that it could collect through bureaucratic systems and the availability of large-scale borrowing, whose repayment was underpinned by a strong taxation system (Moore, 2007). Moore (2004) concludes that the availability of cheap capital loaned because of a strong state bureaucracy gave it a competitive military edge. In this form of state, borrowing became possible because of strong tax regimes and therefore, both borrowing and tax became intertwined within the characterisation of fiscal states. Tax was important to raise revenues from and becoming more so as a pathway to obtain additional revenue. However, what I want to take forward from these literatures is the fact that taxes are assumed to be legitimate; they assume that these local taxes, once levied, are collected, or that the state has the coercive capacity to collect them which overlooks the social aspect of taxation, a point I highlight later.

Capitalist Development Narratives and Critiques

Political economy of development debates reveal wide ranging views of the role of tax in capitalist societies and above all, the social and political tensions that emerge around taxation. Opposing views and differing interests about tax have manifested in political conflicts over tax and created different narratives about the value of tax for development. Therefore, I utilise this section to point to both an evolving role of tax and contention and how these debates are

interwoven with the conflicts between the new capitalist class and the working class. Fiscal policies had evolved by the early-nineteenth century, driven by a reduced requirement for funding war, one alternative was to fund the process of industrialisation.⁶ During the period 1810-1860, there was a shift in the utilisation of state expenditure, towards infrastructure investment in support of the industrialisation process (Landes, 1969), a period that Polanyi (1944) labelled *The Great Transformation*. The importance of highlighting this development here, is because the modern state structure began to be built around this time, of which taxation was fundamental (Payne and Phillips, 2010). This infrastructure spending required funding. Government income before this point was mainly collected from excise duties or purchase taxes and the only important direct tax was land tax. Therefore, indirect taxation was the source of taxation that was favoured during this period of industrialisation, however, as Reeve (1971) highlights, the burden of indirect taxation bore heavily on the working class as the level of indirect taxes was the same for wealthy and poorer taxpayers alike.

Moreover, the collection of land taxes eventually developed into the collection of income and latterly other direct taxes which was only made possible by the implementation of frameworks to collect this tax. Authors have argued that strong bureaucracies and administration frameworks were intrinsic to the development of tax collection as they provided the capacity through which states could collect tax, which would then underpin growth and development (Weber, Lassman and Speirs, 1994; Evans, 1989; Kohli, 1994; Bräutigam, 2008). Before resources can be redistributed (in this case for infrastructure), they first needed collecting and the capacity to collect resources from heterogenous sources would directly affect the tax design and in turn, the sustainability of collection (Castañeda and Doyle, 2019). With the inception of what we now understand as industrial capitalism, new opportunities for the conceptualisation of theoretical frameworks to explain the relationships between the state, labour and the capitalist employers came to the forefront. Tax was at the intersection of this new relationship and the argument surrounding uneven taxation was also prevalent in these early tax debates, in short, who should pay and how much was fundamental. The establishment of private production, wealth and control which were outside the auspices of the state was a defining moment in global economic and social history. The role of the state within this new capitalist development epoch was evolving and classic political economists debated these

⁶ The Napoleonic wars that began in 1803, ended in 1815.

processes of change whilst arguing for and against the concept of capitalism and its mode of production.⁷

Some of the seminal works within political economy sought to unpack the concepts of labour, capital, class ‘the state’ and, directly or indirectly, tax: Adam Smith’s *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), Karl Marx’s *The Economic and Philosophical Manuscripts* (1844, published 1932) and Max Weber’s *The Protestant Ethic and the Spirit of Capitalism* (1904-1905). Although Smith, Marx and Weber had opposing views on the specific role of tax — Smith arguing that it would be a catalyst for ingenuity on behalf of capitalists who seek to protect profits, for Marx, as a tool of oppression and Weber concentrated on the importance of the bureaucracy to collect this — where they did agree was that taxation was intrinsic to the state, and it had a fundamental role in economic development. These capitalist development narratives and critiques demonstrated a shift in the understanding about the role of tax in development, across disciplines. However, making tax palatable enough to engender compliance is one of the key focuses for rulers to avoid coercive tax designs. Therefore, what level of services tax ‘purchases’ and how to legitimise these taxes to different actors is a question that should be explored and to do this, a social level of analysis should be applied.

Tax Compliance and Legitimacy

Thus far, this chapter has shown that tax theories as understood by the disciplines of world history and political economy have concentrated at the state level of analysis. However, this is not the only analytical level of importance. Unpacking the fiscal contract is important to understand why citizens comply with, or avoid, tax. It raises the question of how governments legitimise taxes to taxpayers to achieve compliance and avoid tax evasion. Authors within this literature argue that there is a need for governments to choose the optimum tax system — rates and bases — based on these behaviours whilst simultaneously accompanying administrative and enforcement regimes (Slemrod and Yitzhaki, 2002).⁸ Tax evasion can be pervasive to different degrees and throughout different societal groups but it represents a challenge in every

⁷ The capitalist mode of production contains three main interrelated elements: commodity production, private possession of the means of production and labour is free and separated from the means of production (Mann, 1988).

⁸ The Laffer Curve is one of these economic models that argues that in economic terms, a cut in taxes puts more resources in the pockets of taxpayers and will therefore, translate to an increase in demand through a multiplier effect which will benefit businesses in the long-term by hiring more workers to meet the demand (Laffer, 2004).

county (Braithwaite, 2002), and is based on a desire by those trying to evade the tax collection system of seeking to reduce their tax burden (Kirchler, Maciejovsky and Schneider, 2003).

Therefore, how to create a tax system that is legitimate and complied with is complex, and to explore the question of tax legitimacy further, this section introduces social factors to the tax debate by applying a historical sociology lens. Historical sociology explores the ‘complex social processes that have affected how societies have developed historically, and the nature of transitions in society’ (Roxborough 1979, p. 1), which is important when exploring taxation as was highlighted in the introduction, it is through tax that the infrastructural power of the state intersects with society (Bräutigam, 2008). In this sense, historical sociological perspectives are key to demonstrating how taxation affects development both through a contractual vision of taxation through state society relations, and also to understand the gradual processes of political inclusion that tax engendered with groups previously excluded from the polity, including the growing bourgeoisie.

Tax can generate links of accountability between taxpayers and rulers that impact on how responsive governments are (Paler, 2013). An increased dependence on the part of governments on taxation can generate a *governance dividend*. This dividend describes a state-society relationship that is constructed vis-à-vis negotiation between the state apparatus and society. In this sense, society has a significant say and influence over higher domestic tax collection and its utilisation by the state, a point Moore (2004, p.310) highlights is achieved with substantial ‘quasi-voluntary compliance’. Levi (1988) argues that this quasi-voluntary compliance does not involve coercive or ideational tenets of tax compliance and that it only occurs in a situation when taxpayers have confidence that 1) rulers keep their side of the bargain and 2) that other taxpayers keep theirs. Tax becomes embedded within the state-society contract as it concerns politics and power and the manner in which authority is exercised in a nation through its formal and informal institutions. This embedded taxation relationship and state-society contract is fundamental to tax reform within classic development literatures and in more contemporary development writing, however, the fiscal contract is multilayered and vertical exchanges between state and citizens do not affect all citizens equally.

Vertical Exchange and Horizontal Solidarity

Literatures within historical and fiscal sociology have explored the evolution and characteristics of the distinct institutional arrangements through which tax collection and compliance are implemented, as well as the conflicts and social relations associated with these

arrangements, given that ‘states tax societies but they do not tax all their citizens equally’ (Bräutigam 2008, p. 25). In this sense, taxation is central to the relationship that states have with society; a perspective argued by Martin, Mehrotra and Prasad (2009) for whom taxation ‘enmeshes us in the web of generalised reciprocity that constitutes modern society’ a relationship of necessity, as the state depends on taxes to function which are spent on the behalf of society — who are the recipients of public goods and services. As such, this relationship can generate contention because government officials and taxpayers are expected to try and ‘renegotiate this relationship to their advantage’ (Martin, Mehrotra and Prasad 2009, p.3-4). Therefore, whilst taxation constitutes a key nexus between states and society, it is a nexus that is far from equal, and because of this, it can generate tensions. Academic studies have sought to explore how different types of states manage these tensions and are able to adopt more legitimate and efficient forms of tax collection, recognising that the same taxes will not be viewed as legitimate and efficient by all groups, so taxes that are legitimate for whom and efficient for whom are important questions in these studies. In general terms, theories of tax compliance can be distinguished between contractual or vertical ‘fiscal exchange’ models, and horizontal ‘political community’ ones (D’Arcy 2011; Von Haldenwang 2010). Fiscal exchange models argue that taxpayer compliance increases when they expect the state to deliver services and public goods in return for their taxes. A classic argument here is that representative government emerged as part of the democratic legitimation of the fiscal contract, which allowed the state to appear as ‘fairer’ vis-à-vis its citizens and collect more from more people (Levi 1988). At the same time, democracies are expected to tax more efficiently because they trade taxation for more inclusive forms of representation (Bräutigam 2008; Ross 2004).

The horizontal exchange models argue that the willingness of citizens to pay taxes is not only influenced by the level of trust in the state or government, but to levels of horizontal solidarity existing among ‘tax citizens’. In this situation, taxpayers would be willing to accept a higher tax burden if considering taxes benefits ‘in-groups’ in the political community, and tax systems that strengthen social cohesion and equality would be expected to enjoy higher levels of legitimacy (D’Arcy 2011; Lieberman 2001). Legitimacy is thus an important concept for understanding tax compliance, but it is also a concept that can become complex when building these solidarity bonds becomes disputed in terms of political actors and affiliations and also opposing interest groups. This point is one that decants further into a ‘solidarity hypothesis’ which highlights that social heterogeneity can curtail political possibilities in terms of redistribution policies as it requires extending sympathy to outsider welfare recipients. So, the high trust and solidarity that is not extended to migrant communities may require active

state policies to address this weakness in solidarity (Ervasti and Hjerm, 2012). This and other factors can cause limitations to the building of legitimacy, a point which I shall explore in more detail later in the chapter.

Tax Reforms: Legitimacy and Emergency

The process of building legitimacy around tax and the challenges involved in this process is an area that has received relatively scant academic focus. Furthermore, a sudden tax hike demonstrates an extreme case when legitimising tax could become more problematic, therefore, in this section, I shift the focus to debates centred around tax reforms. Theories engaging with why tax reforms are implemented have their roots in three conceptual strands; interests, ideas and institutions (Sanchez-Sibony, 2019). Authors argue that interests shape tax reform because of the assumption that political actors act to maximize their utility and reforms are implemented to protect interests in influential sectors (ibid.). Whilst the relationship between ideas and tax reforms has received the least focus of these three roots, Sanchez-Sibony (2019) argues that ‘ideologies define and frame policy dilemmas, they select the problems to grapple with among a range of options, and they shape the way problems are tackled’. Finally, the institutional architecture of a country impacts upon tax reform possibilities. Haggard (2000) argues that factors including the type of regime (democratic or military), state institutional framework and party system structures are all institutional factors that shape the prospects of tax reform implementation and consolidation (Haggard, 2000; Haggard & Kaufmann, 1992). However, these theories of tax reform fail to engage in a meaningful way with taxes that are levied outside of these situations. Furthermore, they assume that the taxes have legitimacy. Therefore, they do not focus sufficiently on the social aspect of tax compliance and the legitimacy of these reforms.

Tax legitimacy has historically been associated with three arguments. Firstly, fiscal policy that strengthens social cohesion garners higher levels of legitimacy. Secondly, dependence on taxes (in place of other revenues) will eventually lead to fiscal contractualism between governments and citizens. Finally, a tax system based on transparency, technical capacity and procedural legality may garner its own level of legitimacy (Von Haldenwang, 2010). However, if taxation is a gauge of the state’s ongoing legitimacy, when ‘emergency taxes’ or sudden tax hikes are levied, how, and whether, these are legitimised at the moment of application and in time is under-studied.

Sudden tax increases are generally implemented to address urgent needs often at a moment in which legitimacy of government more widely is being tested. ‘Emergency tax’ is taxation introduced in extremis, generally via a declared state of emergency that shifts powers that would normally be the preserve of political institutions (in democracies), or at least require consultation with them, to the executive branch of government (Campos and Nugent, 1999). This fiscal design has the ability to raise revenues quickly. If they are deemed widely necessary to respond to crisis in that space and time, legitimacy may be bestowed upon them. War is a good example here that demonstrates that emergency provides the opportunities for tax rises that in normal times may be thought of as inordinate. However, emergency tax rises, and the legitimation of these ex-post is a process that remains relatively under researched. This is a conceptual gap in tax legitimacy theories which have largely overlooked how the contingency and temporality of tax legitimacy, which may be legitimised through emergency situations but may also quickly lose legitimacy once the crisis has passed impacts upon tax legitimacy. Yet in fact, as argued by Peacock Wiseman and Vevereka (1961), governments generally try to hold onto income from tax hikes and subsume these into the wider tax basket. But there may be challenges to this process as the emergency dissipates. Unless governments respond quickly to opposition, the crisis may even lead to a questioning of the capacity of the state to collect taxes more widely.

Tax Compliance as a Driver of State Capacity

In this section I will highlight that, in democracies, tax compliance is inextricably linked to state capacity, insofar as taxes underwrite the capacity of state to carry out their goals (Bräutigam, 2008). Bräutigam (2008) suggests that the link between tax, legitimacy and state capacity building is evident through two areas: the rise of the social contract and institution building. Both, she argues, have the potential to bolster the legitimacy of the state and accountability between the state and its citizens (ibid.). These state-society relationships — witnessed in the social contract — and the ability of the state to persuade or coerce citizens to comply has attracted a wealth of scholarly focus in state capacity building literature. Soifer (2008) argued that the amount of revenue that a state can extract from society is a key measuring yardstick of state infrastructural power. For Skocpol, the capacity of the state to collect taxes is a metric of overall state capacity and state capacity building (Evans,

Rueschemeyer and Skocpol, 1985).⁹ Mann (1984) builds on this and engages with state society relations and the manner in which the state has the capacity to collect taxes (Mann, 1984). Mann delineates the infrastructural power of the state into two distinct manifestations, both over and through civil society. Both highlight a complex relationship between state and civil society, one which Mann argues will be fragile and temporary if the state operationalises this power with a high degree of autonomy ‘over civil society’ (ibid.). Therefore, in this perspective, tax which is levied without the consultation period would not be as legitimate and non-compliance would be conflated with a weak capacity to collect tax.

Conceptually, Migdal (2001) takes this further by exploring the relationship of the state apparatus with other heterogenous ‘organisations’ in society. Migdal suggests that strong state capacity is evident when rulers can influence ‘all’ the people over which it has autonomy to comply with its policies not just political supporters (Migdal, 2001). Thus, linking capacity to state legitimacy through compliance with tax design for all sectors and interest groups including traditional opposition (Levi, 1998). Leftwich (2000) argued this was a complex and difficult process ‘the task of the state to penetrate into a society which contains diversities of interests, preferences, values and ideas is not an easy undertaking’. When introducing these questions of capacity compliance and legitimacy to tax heterogenous sectors in an emergency, what is self-evident to highlight here is that in emergencies, governments would extract tax from the easiest and most effective sector or group that would maximise results in the shortest possible timeframe.

Historically the landowning classes and the agricultural production under their control has been a target for these taxes. Moore (2004) highlighted how problematic this was in a European perspective by arguing that imposed taxation in agrarian societies was ineffective without reciprocal political inclusion from the sector. This is because it was seen as coercive and it generated resistance as the farmers did not trust where their taxes were going to. This conflict in many societies with large rural populations has not been resolved. In contemporary developing states where primary agrarian commodities are responsible for integration into the world economy, national prosperity works to the advantage of the landowners who have substantial control over resources (Hora, 2001). However, where they lack political representation, taxing agricultural production becomes contentious which represents a challenge that remains unresolved in contemporary development narratives, and one which shall be explored further throughout the latter chapters of the thesis. What I am taking forward

⁹ Along with military capacity and strong political institutions (Evans, Rueschemeyer and Skocpol, 1985).

from this is highlighting the inextricable conceptual link between tax legitimacy and state capacity. To build state capacity for collecting taxes, the contract between the state and taxpayers needs to be legitimate. Therefore, either in a vertical exchange or through horizontal solidarity the legitimacy of the tax directly affects the capacity of the state to collect these taxes. However, what I want to acknowledge is how fragile this link can be when taking into account the different interest groups within society and the difficulties in legitimising taxation across groups. With different groups, they have different and competing interests, therefore in tax collection terms, the taxes need to be legitimate to heterogeneous groups in society and therefore, strong state capacity is evident when governments are able to collect taxes from all of those groups, efficiently and legitimately.

Furthermore, when applying this argument to contemporary developing states whose integration into international markets remains through primary agrarian commodities, the challenges become more complex and problematic. There are key differences between the challenges of legitimising fiscal design in post-industrial Western European states and those in contemporary developing states, of which Latin American states are not an anomaly. Therefore, after exploring social factors embedded in tax debates, this chapter will now introduce how this fits into tax debates in Latin America to highlight the heterogeneous factors that shaped regional tax designs and which are emblematic of a long standing challenge in the political economy of development; how to make 'taxation palatable for development' (Flores-Macías, 2019).

The Contentious Politics of Taxation in Latin America

In Latin America, state building and tax for state building did not follow the same pathway of European states. The pathway(s) in Latin America was affected by a number of factors including weaker and more fragmented tax systems that impacted upon states' development differently to that which was seen in the European process of tax development. State building was curtailed by a number of challenges that were not present in Europe and which detrimentally affected the state building programme. Here I explore some of the factors and challenges that enable me to build a contextual picture to highlight how tax questions in Latin America are contentious, complicated and intrinsic to contemporary development narratives, by exploring the political economy of taxation debate in Latin America. To begin with, I briefly apply an historical economic lens to highlight that although war was a factor in increased tax revenues in the region during the nineteenth century, it was not through the professionalisation

of tax systems or state building, it was from a reliance on customs taxes through exports.¹⁰ This starts to build the context for how tax is contentious in the region through exploring factors that shaped tax design which ultimately, became conflictual and politically polarising. This was due to tax design in Latin America placing the greatest tax burden on a narrow pool of actors that have historically contested this tax design. Who pays what and how much, is a polarising debate and one of the most salient in political economy of taxation debates (Flores-Macías, 2019). This section seeks to illuminate this debate. It will trace how tax quickly moved from a mechanism for revenue generation to support imperial ambitions to be a catalyst for domestic conflict, sitting squarely within extractive and re-distributional debates that importantly, remain unresolved.

Fragmented Imperial Taxes

Colonial rule set the foundations for tax design after Independence. Before gaining independence from Spanish and Portuguese rule in the early-nineteenth century, Latin American colonies were engaged in a mercantile trading system with their imperial rulers. This relationship represented an early dependent integration into a global trading system the foundations of which were built on the extraction of the region's abundant natural resources for Europe (Bulmer-Thomas, 1995). These transatlantic mercantile systems heavily constrained the colonies, through regulatory processes, from trading with each other and elsewhere. However, it was not only through commodity extraction that countries in Spanish and Portuguese America were supporting empires in Western Europe. Early sales taxes on trade *alcabas* were levied and collected by crown representatives for utilisation and redistribution within the wider empire (Grafe and Irigoín, 2006).

These early tax systems were weak and fragmented and were not implemented through a centralised and comprehensive tax framework. Tax was collected on a regional basis with no overriding central authority (Phelan, 1960). Domestically, early collection of sales taxes was arranged in treasury districts *Cajas* which in turn were redistributed under the auspices of the Royal Treasury *Hacienda Real*. Whilst the customs and export revenues were collected in the port districts themselves, the port of Buenos Aires was one of the most influential Viceroyalties of Spanish America at the time (Grafe and Irigoín, 2006). As these taxes were levied by both royal officials or by representatives of the Catholic Church — which whilst

¹⁰ Foreign Direct Investment was also a driver of revenue into Latin American countries through the exporting and extracting sectors (Bértola and Ocampo, 2012).

showing the strong ecclesiastical bond of the Spanish monarchy into Spanish America it blurred the lines between revenue collection for the state and for the church — no single authority was responsible for the assessment and management of tax revenues throughout Spanish America (ibid., p.10). This would become problematic because without the uniformity of the tax system, there were systematic differences in the treatment of taxpayers with taxes for similar activities in different territories levied at different levels. There was no single fiscal constituency guaranteeing uniformity of treatment of taxpayers and subjects were divided into indigenous populations: the *República de Indios* and the European *República de Españoles* (Grafe and Irigoín, 2006).

However, whilst there was no single authority that was responsible for collecting these taxes and it was administered in a fragmented nature, sales taxes were becoming a significant source of revenue for the Spanish Crown. By the end of the eighteenth century, the sales taxes represented 14 percent of total revenue extracted from Peru, 24 percent from Chile and six percent from *Alto Peru*.¹¹ Whilst the sales taxes were increasing, they were simultaneously becoming more contentious as they were levied over a wider range of products and at different levels of tax burden across the continent. The fact that they were not applied in a uniform manner by a centralised authority meant that the legitimacy of these was questioned and the taxes became contentious. This contention manifested through conflict and indigenous tax revolts that were instigated following the application of different sales taxes in different areas. Grafe and Irigoín (2006) point to the asymmetries between these rates which by the late-eighteenth century were levied at four percent in Buenos Aires six percent in Peru(s) and eight percent in Mexico. Furthermore, they point to the conflict and revolt that ensued when the crown tried to levy taxes on wheat and maize following earlier (1776) sales taxes increases that were levied over staple foods and then increased to include tobacco, sales and sugar. This perceived unfairness fed into the contention around heterogenous tax levels for the same products and highlights early conflict around the design.

Moreover, it was not just indigenous populations for whom tax was contentious, it was simultaneously a growing issue in another Latin American social class, the wealthy landowners. Coatsworth (2008) describes this landowning class as the colonial ‘elites’ and he uses the term to describe wealthier farmers or plantation owners, but he highlights that even this class had to endure a burden of high excise taxes and endless regulations for fiscal and other purposes to export its products. He argues that this class acquiesced in colonial trade

¹¹ Now modern-day Bolivia.

monopolies that forced all trade to pass through the Iberian Peninsula, in an attempt to secure protection from the state that would protect the elites from worker revolt — that had been seen on plantations and slave farms across the Americas (Coatsworth, 2008). This was, in effect, tax for protection and it highlights the debate around the contention surrounding Latin American taxation that centred on natural resources revenues, which was not contained by class. However, the debate over who controls natural resource wealth, who has the right to tax and what that rate should be, has its deepest roots in colonial history. The contention around tax in Latin America is not a new debate, it is a debate which transcends from one centred in colonial narratives to contemporary development debates.

Spanish colonisation came to an end in the early-nineteenth century when the Wars of Independence (1808-1826), ended Spanish control over the majority of Latin American territories. This would set in motion a tumultuous period in the region when the fragmentation of former colonies into republics collapsed under the pressure of the challenges of forming new states (North, Summerhill and Weingast, 1999). Throughout this period, tax supported the war efforts and the subsequent wars that followed. However, tax collection would come from different sources which would mean that social taxes would not fully support war efforts in Latin America; the lack of a professional formalised taxation system that penetrated into society was replaced by the mechanism that had underpinned colonial trading; customs taxes.

States Turning to Debt to Supplement Weak Tax Collection

After Independence, wealth in Latin America continued to be concentrated. In line with European Wars, Centeno (1997) argues that in nineteenth century belligerent Latin American states' economic expansion was primarily to fund military expansion and then to pay back the debts that had been accumulated from war. However, Latin American states he argues did not penetrate or extract domestic tax revenues on the same scale that was seen in Europe but relied instead on customs revenues. These customs revenues included both import and export duties and taxes. Centeno draws on the examples of Chile and Brazil and argues that whilst the United Kingdom was collecting one-third of its taxes from customs revenues during this period — less in France —, they represented two-thirds of collection in Chile and Brazil, demonstrating the reliance on export taxes to the region. Thus, in contrast to European state building and Tilly's 'war made the state' argument, increased tax receipts in Latin America were representative of enhanced integration into the global economy and not necessarily emblematic of a strong tax collecting state (Centeno, 1997). Furthermore, with a lack of capacity to extract tax from

domestic social sources, regionally, countries turned to debt to complement the customs revenues (ibid.).

Arguments presented to account for lower levels of domestic tax collection and a simultaneous increased dependence on customs taxes (and debt) include the perspective that under Spanish and Portuguese rule, the failure to implement a robust and strong administrative framework for tax collection meant that the tax burden fell heaviest on the exporting sectors (Phelan, 1960). Furthermore, societies were left much poorer following the Wars of Independence and therefore, taxing social sources of revenue would prove fruitless as the wars had left little base on which to build a state from (Coatsworth, 1978). In this context, additional revenue was needed from other sources to fund Latin American states. Although it was evident that natural resource exports were becoming increasingly important, at this point, Latin American states were still in their infancies and at a level of immaturity. The rents that were collected by customs taxes were not as yet sufficient to sustain development or to give states the fiscal capacity to finance the process of industrialisation that would be attempted in the mid-twentieth century.¹² Furthermore, as tax regimes throughout Latin America were fragmented and weak, and as tax collection was increasingly contentious, debt represented a vehicle to complement both tax and commodity rents whilst also temporarily circumventing the political contention around who should be taxed, and what this should be utilised for. Before engaging with natural export rents further, I want to briefly highlight how the utilisation of debt was becoming a tool with more prominence throughout the region by ameliorating the difficulties that Latin American states were encountering in capital accumulation. This would set the foundations for a long and arduous relationship between states and international creditors.

The economic difficulties that were encountered by new Latin American states, post-independence wars were underpinned by difficulties in mobilising domestic resources for capital accumulation, therefore, external sources of finance became more important within the region (Bulmer-Thomas, 1995). [Government] bond issuance had been utilised as early as the 1820s as a mechanism to try and bridge the gap between revenues and expenditure. However,

¹² My utilisation of the term 'rent' aligns with a 'mainstream' understanding of rents as 'profits' or 'revenue'. Many political economic analyses in Latin America use the term 'rent' in this way, see Mangonnet and Murillo 2020, Wylde 2016, Grugel & Riggirozzi 2012, Fairfield 2011, 2010). For a discussion on the concept of ground rent theory both in the context of Argentina and other primary commodity-producing countries, see Ward and Aalbers (2016), Grinberg and Starosta (2014), and Iñigo Carrera (2006).

as highlighted by Bulmer-Thomas (1995), this had generally been a failure and governments found themselves in default of their debts which precluded them from issuing further bonds until after 1850 when the debt in default had been renegotiated. By 1870, every republic in Latin America had turned to external sources of revenues to support state finances. Argentina, Brazil, Chile, Mexico and Uruguay were the first governments to issue bonds regularly since 1870 with the main provider of revenue and purchaser of these bonds being the UK. Around the outbreak of the Great War (1914), public external debt in Latin America had reached \$USD2.2b with Argentina (\$USD784m) and Brazil (\$USD717m) the main contributors to this debt burden (ECLA, 1965 quoted in Bulmer Thomas, 1995).¹³

This debt represented an attractive pathway for Latin American states to finance the state apparatus because the conditions attached to new bond financing were loose and governments could utilise the funds to pay for current expenditure, thereby avoiding the need for entering into the unpopular tax debate and enforcing increases (Bulmer-Thomas, 1995). Paradoxically, tax would become embedded within this debate nonetheless because of a frustration (on the part of bondholders) with debt defaults, governments were pressed to earmark taxes from custom duties from exports to pay for debt (ibid.). Whilst it has been argued that customs taxes are preferred in situations where rulers are seeking enhanced autonomy and they do not want to become reliant on social sources of revenue (Kiser, Drass and Brustein, 1995), this form of taxation would still be contentious for the exporters who were bearing this tax burden. Debt default was driving a need for taxation and debt remained a salient factor in Latin America into the twentieth century (Bértola and Ocampo, 2012). What the early-twentieth century period represented was the crystallising of a deep-rooted and enduring relationship between natural resource exports, taxes and debt, which would form the bedrock for tension between Latin American states and global markets that has remained until the modern-day and which will be explored throughout the thesis. However, it was not only through the purchasing of government bonds that external revenue permeated into Latin American countries, Direct Foreign Investment into the region had reached \$USD7.5b by 1914 of which Britain was responsible for 47 percent of this investment — into both public and private sector companies (ECLA, 1965). Importantly, this investment was into infrastructure, transport and packing processes that would support the extraction of natural resources, underpinning the importance of this endowment to the region as a revenue source and to global

¹³ Chile (\$USD174m) Mexico (\$USD152m) and Uruguay (\$USD120m) accounted for the majority of the remaining debt (ECLA, 1965).

markets as a supplier of these resources. This relationship evolved and expanded following independence, becoming more important and more contentious.

Diversified Commodities and Extracting Rents

The history of Latin America is a narrative of shared accounts but with stark differences. Therefore, it is important for the remainder of this chapter to highlight that when engaging with Latin American history in a regional perspective, there will always be differences and exceptions to the general regional story. During the struggle for independence in the early-eighteenth century, the reliance of Latin American countries on mining exports was highlighted when demand for mining products rapidly diminished because foreign markets had been disrupted by the Napoleonic wars, and in some cases mine owners had ceased production because of the ongoing independence struggles (Bulmer-Thomas, 1995). What all of this meant was that there was a diversification away from the precious metals that had been previously extracted by the empires, towards different commodities that would provide the raw materials required to support the nascent Industrial Revolution occurring in Britain.¹⁴ Simultaneously, this shift illuminated the importance of natural resources to the economies of Latin American countries. Shifts and increases were driven by discoveries of oil reserves in the Gulf of Mexico, increases in copper exports from Chile and Peru (and guano in Peru), tin exports surpassed silver in Bolivia and rubber exports from Brazil. Peru provided raw materials for factories in the UK and North America (Bulmer-Thomas, 1995). Extraction became more than a temporary post-colonial economic strategy; it became a consolidated development project.¹⁵

There was also a shift seen in the portfolio of agricultural export products. Agricultural land diversification occurred in Argentina and Uruguay which supported the growing requirement for wool within industrialising countries (Hora, 2001). Furthermore, the growing wealth that was concomitant with the period of industrialisation was a driver for growing demand of other Latin American agricultural products, including sugar and coffee beans that further enmeshed the region as an important global provider of commodities (Bulmer-Thomas, 1995). However, with the increase in importance of Latin American produce came an increase in tensions over who controlled these resources and the revenues derived from them. The

¹⁴ Some authors would later argue that these relationships were so important that they were the very bedrock which supported the transition to capitalism in Europe (Bhambra and Holmwood, 2018; Bhambra, 2020).

¹⁵ Due to a lack of preserving methods, early exports were dominated by minerals and non-perishable commodities. However, meat was exported dried *charqui* before the British invested in the first frigorificos in Argentina (Rock, 2019).

diversification towards grazing sheep for wool away from earlier crops caused conflict within Argentina because of incidences of land grabbing to support these new industries (Perochena, Rodríguez Rey and Judzik, 2020). Furthermore, tax was levied on the provincial producers by President Bartolomé Mitre (1862-1868) for the rights to export this through the port of Buenos Aires (Hora, 2001). This was contentious for the producers. And, as Hora (2001) highlights, it was the beginning of the utilisation of export withholdings on export products in modern-day Argentina. Moreover, because alternative ways to export agricultural products were limited, it was seen as a rent extraction policy by producers which fed into this contention.

I am illuminating the fact that the export of natural resources was how the region integrated early into world economic systems to demonstrate where the wealth is concentrated, which in turn will allow me to build context to show how extraction of this wealth through tax becomes contentious. These resources have been central to regional debates about the extraction and utilisation of these resources to drive economic growth and development which continued into the twentieth century and more contemporary development narratives. The significance of resources to Latin America, and other global South economies as a result of colonialism has led to a wide-ranging literature on resource dependency and natural resource extraction. Zavaletta (1986, 2009) explores the ‘myth of profit’ that was driven by an understanding in the region that profit is there for the taking because the subcontinent is ‘the locus par excellence of natural resources’, with others explaining that when there is a global hunger for natural materials, it makes extractivism in any region appear more and more attractive (Burchardt and Dietz, 2014). Authors have conversely explored the pitfalls of building development programmes that are underpinned by volatile cyclical global commodity prices through the ‘resource curse’ and the Dutch disease seeking to offer explanations for failures of national development where poverty increases whilst resource prices are high (Acosta, 2009; Schuldt et al., 2009). A point developed further by Nem Singh (2014) is the fact that whilst resource wealth will not guarantee economic underperformance, successful resource-intensive economies tend to be an exception rather than the norm. More recently a focus has been placed on the sustainability and environmental degradation driven by this extractive mode of production and through territorial conflicts (Svampa, 2019).

What I want to emphasise here is the fact that industries that are built up around these abundant natural resources are therefore important to Latin American economies as a driver of economic growth. It is through these industries: mining, agriculture and petrochemicals that Latin American countries integrate into global markets. Therefore, this becomes problematic when governments try to extract taxation from these (non-state owned or controlled) industries

as they are resourceful and thus, influential, which makes the process complex and contentious.¹⁶ I want to draw attention to the salience of the relationship of revenue generating sectors that are heavily taxed in lieu of other sectors. What I want to pursue is the fact that the availability of these taxes should not be assumed as they are contentious and sit squarely within the regional debate of who should control the revenues from the land and who has the right to decide the level of tax, which became even more important as Latin American exports became more entrenched in global trading systems. In the following subsection I highlight that sectors who control export revenues in Latin America have substantial influence by focusing on the political economy of tax debate in the region.

Taxing Influential sectors

Here, I switch the discussion to focus on the politics of extracting taxation in the region. I do so to show that following all the factors discussed so far, taxing these influential industries can be difficult and is undoubtedly contentious. Firstly, because of historic weak and fragmented tax systems and the contention around levying wider social taxes, taxes on customs has been the preferred option (Bulmer-Thomas, 1995). Here tax can assume a class dimension. Due to weak tax systems, traditionally taxes have been levied over imports and exports. In this sense, the burden of import taxes fell over consumer sectors, but the burden of export taxes fell on the shoulders of those who owned the resources that were fuelling export-led growth. As the landed class owned this means of production, they were a target for the export taxes, which in turn fed into a class argument. This class dimension is one which will become salient throughout the thesis. However, raising other direct taxes in Latin America remains problematic, and contention around what taxpayers receive for their taxes is also a contentious factor in other Latin American tax debates. One argument when trying to raise tax is there are limitations seen in the quality of what taxpayers' 'purchase' with their taxes. Latin American countries are characterised by low collection efficiency and high evasion and have productive structures with less added value. In developed economies, on the other hand, what tax buys in terms of public goods and services is higher, and the 'government waste' and negative externalities including corruption and bureaucracy is lower. This, on the one hand, justifies a greater use of indirect taxes levied on goods and services. On the other, this situation means that despite a higher tax

¹⁶ In some cases, such as in Central American republics, these interests are so powerful that industries have embedded themselves fully into the state (Aguilar-Støen, 2016). Or as is the case in Brazil, many influential industries are still family owned (Rabelo and Vasconcelos, 2002).

burden on products and services, in some cases, the revenue gained by Latin American countries as percentage of GDP is similar to the one of OECD countries. In other words, Latin American countries need to tax more a smaller set of economic actors to get the same. Sanchez-Sibony (2019, p.5) argues this is a structural Latin America characteristic that makes tax collection particularly problematic:

A [...] structural characteristic of the region lies in the perennial scourge of high income and asset inequality. The high concentration of income for which the region is famous means that a small subset of a few taxpayers accounts for a large percentage of overall revenues, including those that come from indirect taxes.

Von Haldenwang (2008, p.2), expands on this fact by highlighting that, compared with the OECD countries, taxation in this region is concentrated on a narrow pool of individuals and sectors with excess rents to be captured. Whilst developed economies collect fiscal revenues from the income of their citizens and businesses, Latin American countries impose a heavier burden of taxation on consumption and economic activity, representing half of their fiscal take in comparison to a third in the OECD (OECD 2020, p.47–48). For this reason, taxes on international trade, are marginal in OEDC economies (Gómez Sabaíni et al. 2016, p.207). Furthermore, as tax is concentrated on a smaller pool of taxpayers, income that is generated and collected from wider social income taxes (on wages) will in turn be lower. This, Tanzi (2008) highlights is also problematic as non-wage taxes are inherently more difficult to collect and therefore this leaves states with a more difficult task to extract revenues from these taxpayers.

He expands this to argue that it is because the small proportion of wealthy taxpayers is where the most political power and legal influence is concentrated throughout the subcontinent, in short, they are harder to tax because they are more powerful. Further expanding this point, these sectors where tax is concentrated have the capacity to resist further tax increases to current designs because of their influence (Tanzi, 2013). Fairfield (2015) argues that detrimental reforms are unlikely to be enacted over influential business sector interests where the business or sector wields strong structural and instrumental power.¹⁷ However, this may be a general trend in the region, but this does not always hold true in agrarian societies and there

¹⁷ Structural power as described by Fairfield as the power that a business has to withhold investment in the economy. Whilst instrumental power is defined as power that is possessed by businesses to influence political factors. Including relationships with different levels of government as well as other political capital and resources.

are cases where influential sectors lack political *instrumental power* to affect tax policy and this becomes contentious (Fairfield, 2010, 2011, 2015; Freytes and O'Farrell, 2017). Furthermore, it is conversely this point that I shall draw on more explicitly throughout the thesis in the Argentina case study, focusing on the fact that, it is because of a lack of political representation in influential sectors over tax questions that this becomes contentious when the taxes and more specifically tax reforms are deemed unfair.

Therefore, governments need effective pathways to permeate into influential 'elite' sectors so that the tax has a greater chance of being perceived as legitimate. Here the '*embedded autonomy*' argument by Evans (1995) which explores how newly industrialising states gain autonomy to facilitate economic transformation becomes salient. Evans argued that these states need to generate strong 'internal loyalties' with influential economic actors and elite groups that share their transformative agenda in order to guarantee its continuation, seeking to 'embed' themselves by crafting 'institutionalised channels for the continual negotiation and re-negotiation of goals and policies' (Evans 1995, p.59). The absence of these negotiating channels is what distinguishes developmental states that achieve some form of embedded autonomy in society, from predatory ones, like some African rentier states, which extract resources through undisciplined internal structures and clientelist exchange relations, promoting a disorganised civil society 'incapable of resisting predation' (Ibid., p.72). However, here the puzzle becomes more complicated because state embedded autonomy into influential sectors is limited in Latin America. Evans (1992, p.405) argued that there are pockets of embedded autonomy in Brazil, but even here he highlights the complexity and the scale of this problem when influential sectors retain significant power:

The efficiency of [the Brazilian] government...was dependant...on the cooperation of the landed oligarchy. Despite the increasing weight of industrial capital in the economy, the persistent legacy of rural power continues to shape the character of the state.

Giraud (2020) expands on this point by exploring the capacity of the embedded state to extract from influential soybean producers in Brazil. She argues that in Brazil the state is strongly embedded at sub-national levels of government and therefore can extract. Whereas in Argentina, comparatively, it has weak embedded autonomy and so extraction from the sector becomes problematic. Here the scale of the problem is laid bare, embedding autonomy and penetrating into these influential sectors is not easy, especially when the burden of tax reforms falls squarely on sectors whose interests are challenged. I want to highlight the argument for

applying an interest-based lens to tax reforms, which has been a major thread of theoretical focus when disseminating the success of tax reform implementation over influential sectors. This is because the vast majority of policy reforms would engender a response from interest groups to organise in order to defend incomes and rents and to minimise potential losses (Sanchez-Sibony, 2019). However, whilst this theoretical perspective highlights the importance of interest groups, it is within the critiques of the theoretical framework that I will draw from and take forward as some of these highlight further areas of contention within Latin American tax design.

Whilst interest-based theories have been challenged for not taking into account the changing interests of influential business sectors (Schneider, 2004), perhaps more importantly in the Latin American context, a critique of the model is that it is ill-suited when applied to areas where the re-distributional effects are wide and varied. An interest-based perspective does not sufficiently take into account other intrinsic factors, such as political interests and for what reason the state is collecting taxes. The argument about the role of the state in export-led economies has dominated contemporary Latin American development debates, one has been decisive in determining the long-term course of tax design (Ondetti, 2015), but has been contentious and caused political conflict. So, with historically weak and fragmented tax systems that fall on a smaller pool of taxpayers, to fund development in the region and to manage this lack of tax, states have utilised other pathways to try and augment collection, especially during periods when spending has increased. Debt, as alluded to earlier, was one of these pathways, that plugged the gap between spending and collection. However, in the next section I expand on some of the other pathways that have been utilised in Latin America which characterise the type of state and also introduce the contention around the redistribution of rents.

Tensions in 'Immature' Fiscal States

In this section I will explore briefly how frameworks that have been implemented to try and address the lack of overall tax collection capacity and the redistribution of these rents are themselves, politically contentious in Latin America. I will do so by engaging with types of states that use other forms of extractive measures as a financing as a tool to plug gaps in wider (social) tax collection and show how this can generate tensions. State-society relationships have been, and are, complex in Latin America (Sachs, 1989). Who controls resources has underpinned decades of class tension between the landed elites, states (who in some cases are

captured by the landed elites) bourgeoisie and popular sectors. However, state-society tensions would shift fundamentally in the first decades of the twentieth century and the previous extensive repression of the working classes would give way to new modes of state-labour relations — from repression to institutionalisation, from exclusion to incorporation — that occurred at the same time as wider political shifts and the decline in political power of old oligarchic powers which gave way to newer ‘elites’ that were drawn from the middle sectors (Collier and Collier 2002, p. 6). The changes were accompanied by the introduction of corporatism into Latin America (Collier and Collier, 1979); a new set of structures for the vertical integration of society but one that produced two broad new sectors, the working class and the middle classes, which began to be integrated into political life in a subordinate and dominant position (Collier and Collier, 2002). At the same time, the state assumed new social welfare and responsibilities over economies which in some cases saw a shift from a *lassiez-faire* state to a more interventionist state. Collier and Collier (2002, p. 7), argue that within its new economic responsibilities, the state began to establish a regularised system of labour relations — with trade unions the main representative of labour — and acted as a mediator of class conflict whose overarching goal was to harmonise the relationship between labour and capital. With a shift in salience towards the middle and working classes, the state’s responsibilities for providing social welfare became a factor that was more salient than before.

Funding these new social and welfare responsibilities would require revenue and so tax revenues became important. Tax is an economic issue that is inextricably political, the two cannot be explored in isolation because tax is at the intersection of a key political pact that ‘provides the public resources to the state that are spent on society’s behalf’ (Soifer, 2008). However, if these tax resources are extracted by the state and they are reutilised in a manner that does not fit ideologically with the sector that has borne the tax burden, this becomes politically contentious. Therefore, big spending states would need to tax to have the resources to redistribute, but the collection of tax is contentious and becomes political if it is redistributed away from where it is collected. One mode of governance that fits squarely within this redistributive argument is the programme of extractivism or neo-extractivism embedded in the ‘developmental state’ (Burchardt and Dietz, 2014). The developmental state describes a model of state whose appropriation of resource revenues is achieved through substantial state intervention into and regulation of extractive industries with the intention of extracting rents. In Latin America, this has been operationalised through a programme of nationalisations, revision of business contracts that are not nationalised and an increase in export duties and taxes (ibid.). However, it is self-evident to argue that this extraction would cause contention

with the sectors from where it is extracted but this is only one side of the story. The redistribution of these rents is a major driver of contention when surplus revenues are utilised to expand social structures that underpin development programmes. By this, I mean revenue redistribution policies targeted at diversification of some industries, strengthening political stability and poverty reduction through augmented welfare provision and increased social participation (ibid.).

In this conceptual form of the state, the interests of business are relatively subsidiary to those of the state. Therefore, it is the role of the state to mediate between influential industries and businesses to legitimise the extraction that is being appropriated to underpin development programmes, a task that is not easy and sits squarely in the debate of whether the state should take an interventionalist role in the economy or take a subsidiary role to business elites and the markets. However, as alluded to earlier, in some Latin American countries, influential business sectors were embedded within the state apparatus, they were part of the state, and therefore had the capacity to exert control through state institutions. This was the case with the coffee oligarchies in Central American countries: Guatemala, El Salvador and Costa Rica, but this created large scale structural tension and protests ‘below’ as this oligarchic relationship impeded other actors from gaining political leverage (Mahoney, 2001). Here I am highlighting that although the state and influential industries are not in conflict in this scenario, this relationship is engendering wider conflict because in these states, coffee was emerging as the main unit of export and this was where wealth was centred and it caused contention between workers and landed elites who controlled this wealth (Williams, 1994).¹⁸

Redistribution is conflictual. However, Teichman (2008) argues that conflict is not inevitable, and alternatives are available. When compromise between the state and business actors (and workers) is evident conflict is not the guaranteed natural state. She argues that the countries with the lowest levels of inequality in Latin America are those that compromise over the redistribution of rents. However, she does caveat this with an acknowledgment that opposing interests not only from business elites but from upper- and middle-income groups and in some cases trade unions, can present limitations to this re-distributional compromise (Teichman, 2008). Furthermore, Gough expands on the challenges and complexities of this compromise and argues that it is difficult for a state to achieve redistributive compromise in

¹⁸ Another form of state but a less prominent one in Latin America is the ‘rentier state’. Wealth in rentier economies is centred around a small fraction of society, the rest of society is only engaged with the distribution and utilisation of this wealth like the Gulf-state economies that are heavily endowed with oil reserves (Beblawi 1987, p. 385). Weyland (2009) argues that in Latin America Venezuela, Ecuador and Bolivia can only be classified as a rentier state as these are the regional countries with large petrochemical reserves.

Latin America if it is not deemed as legitimate, autonomous or it is deemed as being unduly influenced by particular societal groups (Gough 2004, p. 21). What this section highlights is how complex and conflictual tax extraction and redistribution from influential sectors in Latin America can be.

This point was underlined in the mid-twentieth century, when tax revenues were collected and redistributed and utilised to support attempts at industrialisation which exacerbated this distributive conflict. When the reliance on extractive modes of production in Latin America was coupled with poor international terms of trade, it led the Argentine Economist and former Head of the Argentine Central Bank, Raúl Prebisch (1949) to champion a theoretical pathway to break regional dependence on this system of primary resource exportation through his (and later ECLA's) advocacy of Import Substitution Industrialisation (ISI). Latin American Structuralism was the term deployed to this period of industrial development which describes the shift towards the attempt of domestic production of previously imported goods, which was promulgated as a pathway to address the specialisation of Latin American economies in natural resources. Bértola and Ocampo (2012) argue that in the Structuralist school of thought, the continuation of this pattern of production had been seen as the main reason for the region's failure to grow more rapidly and ISI was a pathway to break this. However, intrinsic to this design was taxation. Prebisch argued that export taxes should be used to discourage primary commodity exports to instigate a shift towards manufacturing (Kay, 1991). This became contentious and pitted commodity exporting sectors who were shouldering the burden of the tax against industrialists as taxes were being utilised to support the industrialisation process. Furthermore, in cases where debt was required to fund the process of industrialisation, because of insufficient taxation, this exacerbated these tensions even further, a perspective I shall explore in detail in the early sections of Chapter three when I introduce the Argentine case study. This period in Argentina is emblematic of the tensions that existed between a left-wing government and the landed classes, under the pressure of a growing debt burden, which will help me to trace how tax is contentious and overtly political.

Conclusion

This chapter has introduced the role of taxation, focusing on the significance of tax collection and utilisation in the creation of the modern state. It briefly engaged with its role in European debates of world historical and political economy before exploring social factors that influence tax in historical sociological literatures. The centrality of taxation within these debates cannot

be overstated. It has been demonstrated throughout the chapter that processes including state building, industrialisation and the creation of new state society relations within these macro level literatures are influenced by taxation. However, as highlighted, there are assumptions in world historical and political economic literatures, where tax that is levied was collected, in most cases by a stable semi-professional or professional tax apparatus, the literatures assume stability and legitimacy is part of this assumption.

However, this argument fails to account for how tax hikes are legitimised when the context of emergency, in this case war, fades. Therefore, the chapter brought debates of legitimacy to the fore within historical sociological literatures to highlight how important the legitimisation of tax design is and how social dimensions of tax should not be discounted when engaging with tax and tax reforms. The chapter explored key debates surrounding tax compliance. It did so to highlight the complexities within the relationship between state and citizens and the fragility of the fiscal contract when all in society may be taxed, but not all in society are taxed equally. This becomes problematic as Bräutigam (2008) argues that it is through taxation where state and society intersect, therefore, any tax reforms will directly impact this relationship and uneven or unfair taxation could manifest in reduced compliance or rejection of the overall tax design. The chapter explored salient factors within the fiscal contract and has highlighted throughout the chapter the importance that social factors can have on influencing tax compliance.

The chapter then explored the uses of tax in the Latin American region and the asymmetrical challenges that are prevalent throughout the region. It has engaged with pathways and forms of economic production that have been utilised to plug the gap in tax collection, highlighting a regional reliance on debt. It has highlighted that because Latin American countries' early integration into the global economy was achieved through export-led natural resource models, wealth is therefore centralised in the sectors that are responsible for the extraction of these natural resources. Therefore, this introduces additional complexities of legitimising taxation over diverse influential sectors that are responsible for significant levels of national production and the arguments of taxing this wealth are polarised. It has argued that there are structural factors that present limitations to legitimising taxes and achieving compliance, one of these was the manner of how tax designs are concentrated over a limited pool of actors, and not across a broad base of taxpayers as is the case in OECD countries which challenges tax legitimacy and compliance through questions of fairness and class conflict. Furthermore, the perceived value of the services purchased; the value of the tax purchase is considered to be less of that purchased in OECD countries (Haldenwang, 2008).

I then shifted the narrative to show how politically contentious the redistribution of tax revenues is when they are extracted from influential sectors. Here the tax debate becomes tense and polarising as it fits squarely within debates about opposing visions of the state and is inextricably linked to the contention surrounding what is acceptable intervention into an economy. I have briefly engaged with the redistributive conflict of natural resource revenue rents that exists especially when the redistribution is contested and shown where, in states that struggle to collect tax to meet its obligations and the increasing demands of the popular sector, that other tension creating pathways have been utilised to support this. In Chapter three I shift the thesis to explore a period of contemporary development in Argentina 1946-2001 and by doing so, I explore the consequences of leaving tax questions unresolved.

3. Financing the State: Tax and Development in Argentina (1943-2001)

Introduction

With this chapter the focus of the thesis shifts to Argentina (1943-2001) in order to contextualise the debate around tax under the Kirchners in the early-2000s. Tax questions for development became exceptionally salient during the export boom in the early twenty first century. But the twentieth century debate about tax, and export tax, is important to understand the politics of tax under the Kirchners. Export taxes represent a fault line around which fiscal and political tensions have historically coalesced. The chapter therefore traces the evolution, pathways and political tensions that emerged during the mid and late-twentieth century to finance the Argentine state. I demonstrate that there was a confluence of factors that presented barriers for subsequent Argentine governments to sufficiently legitimise this type of fiscal extraction which therefore led to increased tension around the tax design. Opposition to export taxes, I argue, is characterised by a number of these factors, amongst others: interest group politics, a failure to build social consensus around the tax design, opposition to the erosion of political influence and as a symptom of more profound disagreements about what national development should look like.

However, because of volatile commodity prices and inconsistent export volumes, external borrowing took the place of tax collection. Therefore, this type of tax collection was never fully legitimised and never fully accepted by the rural producers because in many instances, debt was used by governments to avoid the contentious process of extracting this tax and crucially it therefore remained unresolved. When the taxes were levied, they instigated conflict which was sustained by a complex and politically polarised relationship between organised influential Argentine actors, social actors and a state apparatus that needed funding, but had limited options to raise income. The chapter begins by briefly exploring the characterisation of Latin American states in the post-World War Two period to enable me to trace the contestation and tension around state visions and class conflict in Argentina.

Conflict over tax in Argentina pre-dates this period and is embedded in a globally integrated economic system that is underpinned by natural resource export-led production. Tensions that derived from Argentina's insertion in the global economy as a primary commodity producer were exacerbated in 1946 with the arrival of Peronism, which presented an alternative vision of the state that would ultimately feed into a highly politicised, and

unresolved, set of redistributive class conflicts that converged around the use of state revenues. This tension around different visions of the state formed the bedrock for politicised development debates that would endure throughout the twentieth century and resurface in the first two decades of the twenty first. Tax was central to these different visions of the state.

Argentina's Tax Policies in Context: The Rise of Latin American Structuralism

In order to understand the tax strategies deployed by the Argentine state in the mid-twentieth century, we need to understand something of regional debates about development and economic growth at that time. In post-thirties Latin America, there was a shift in development thinking with the emergence of regional level ideas about the importance of the state in the promotion of economic development (Skocpol, 1985; Evans, 1997; Cardoso and Faletto, 1979). These regional ideas would impact on the national story of development in Argentina, which in turn would impact on redistribution of state revenues and political conflict. Regionally, there was a shift in development thinking because of a concern about the high level of exposure to exogenous economic shocks and potential effects on Latin American countries after the 1929 global financial crisis. This shift in ideas about the balance between the state and market in growth led to growing political and social conflict in Argentina which would lead to new ideas about development.

The fragility of Latin American countries' integration into global systems through export-led frameworks was highlighted in the thirties with the collapse in demand of primary commodities that was driven by the Great Depression (1929-1932/3). This period saw a precipitous drop in both demand and prices, affecting growth and forcing economies to fund the state through other pathways, including via debt. Table 1 highlights the growth in debt to export ratios in Latin American states. The growth in this ratio shows both the drop in export levels and the growth in debt to account for this drop. However, Latin American countries were not able to service this debt because of the deep drop in commodity prices. Terms of trade deteriorated throughout the twenties — with falling natural resource commodity prices — which, as Eichengreen and Portes (1989) highlight 'dropped like a stone with the onset of the Depression'. The index of prices entering world trade fell from 1929-1932 by: 56 percent raw materials, 48 percent foodstuffs and 37 percent manufactured goods. These deteriorating terms of trade led to debt defaults which underpinned economic and social crises throughout the region.

Table 1: Central Government Debt to Export Ratio (percent) (1929-1935)

	1929	1931	1933	1935
Argentina	49	73	113	81
Brazil	153	163	215	127
Chile	102	327	842	573
Colombia	58	101	123	67
Costa Rica	96	130	174	158
El Salvador	106	153	183	157
Uruguay	147	185	212	148

(Eichengreen and Portes, 1989)

I am highlighting this increase in debt and deteriorating terms of trade here because it helps explain a shift in economic thinking and trace the regional shift away from market-led development models to economic models characterised by state intervention. This period of high debt, reduced demand for commodities and drops in commodity prices that forced many Latin American states to look inwards to internal markets and underpinned attempts at ISI to alleviate dependency on natural resources through integration into global markets. Towards the end of the thirties, there was a regional shift away from previous laissez faire policies towards active state involvement in economies. Getúlio Vargas' New State *Estado Novo* dictatorship in Brazil (1937-1945), the Popular Front and Colorado Party's 1938 election victories in Chile and Uruguay respectively increased active state involvement into economies, there was space for structural change (Bak, 1985).¹⁹

By the end of the thirties, Brazil Chile and Mexico had joined Argentina — that had initiated this process first in the early-thirties — as the only countries to have pushed industrialisation and structural change to a point where internal demand was not determined solely by the export sector (Bulmer-Thomas, 1995; Peralta-Ramos, 1992). What this all means is that the industrialisation process was becoming more important to the economies of these Latin American countries whilst the state was taking a more active role in the economy.

This shift towards industrialisation fitted squarely and conceptually within a wider development debate that was taking place in the region at the time around the relative roles of states and markets that sought to understand why growth had stalled and why industrialisation

¹⁹ The 1938 elections Uruguay brought an end to the Terra Presidency (1934-1938) that began as a dictatorship in 1931 until the constitution was re-written in 1934. In Chile, there had been Military intervention into politics in 1932 (Lowy, Sader and Gorman, 1985).

had been weak. Development itself at this time was conflated, by both Western and Latin American academics, with industrialisation, informed by ideas that came to be codified later as modernisation theory and which also informed critical or Marxist approaches (Sunkel and Paz, 1976; Payne and Phillips, 2010; Roxborough, 1979). But by the thirties, a number of economists in Latin America began to take a ‘more critical view of development’ (Giraud, 2017). Prebisch and ECLA identified a deep-rooted tension in the relationship between developed and developing nations (core-periphery) which meant that the theory that technological transfers would be imported from industrialised developed countries did not come to fruition — this was a fallacy (Prebisch, 1949; CEPAL, 2012). Prebisch and others ECLA thinkers argued that currency shortages would limit the rate of growth of peripheral economies and make them permanently lag behind developed ones as they could not afford the imports to industrialise (Boianovsky and Solís, 2014).

At its core, Prebisch argued that deteriorating terms of trade meant that increases in production in core countries did not result in price drops for imports to peripheral countries, because wages and costs increased in developed countries faster than the relative increases in production — partly explained by strong unions and organised labour (Prebisch, 1949). Furthermore with the value and share of Latin American primary commodities deteriorating in the mid-twentieth century, it was affecting capacity to import and industrialise due to deteriorating terms of trade (Skidmore, 1978). Moreover, because of this imbalance and the high cost of imports, it would manifest in a way that primary commodity production and exports would remain the main mode of production and integration of Latin American countries into global markets as they were causing limitations to industrialisation. For structuralists who were part of the growing Latin American Development School in the fifties, orthodox economic pathways were of limited value to address the development needs of Latin American countries because these orthodox programmes were built in and for developed for industrial economies and therefore is a ‘highly special case’ (Seers, 1963; Sunkel, 1969; Kay, 1989).²⁰ They argued for a different economic development pathway and embedded in this pathway was the notion that it was markets through which Latin American economies were integrated into world economic systems that were the problem, to which the state provided the solution.

It was through the medium of ISI that the structuralist theory moved from being a conceptual argument to the basis for policy, whereby industrial manufacturing of products that

²⁰ Within the Latin American Development School, Structuralism sought to critique Neoclassical economic narratives whilst Dependency Theory critiqued Modernisation Theory (Kay, 1989).

had been previously imported should be domestically manufactured. However, in order to do this, Prebisch advocated that the state should increase taxes on primary commodity exports as well as implementing the imposition of duties on manufactured imports to break the dependence on export-led growth (Prebisch, 1949). But the new emphasis on state intervention in national development led to domestic social tensions that would be the result of a changing balance of influence and power between traditionally privileged agricultural producers and the urban communities, including the burgeoning working class and the growing numbers of public sector workers. The ISI programme carried a strong distributive agenda with it, as it required certain sectors to moderate their consumption and sacrifice rents in favour of the development of other sectors which would generate tensions. These tensions had the potential for intense political conflict, with some of these conflicts deriving from questions of tax as more interventionist states sought finance to fund industrialisation process. Nowhere was this debate laid bare more clearly than in Argentina, with the arrival of Juan Perón to the presidency in 1946 and both the unresolved class warfare that was reignited between a weakened landed oligarchy, transnational businesses and the new working class and debates centred on the export-orientated model of development.

A Shift in Argentine Development: Landowning Elites and the Peronist Challenge

In this section I discuss how Argentina responded to ISI and state building challenges and trace the processes that led to the initiation of political conflict around development and the role of the states, which was underpinned by tax. I begin by introducing the powerful ‘conflict inducing’ landowners from the Argentine Pampas to demonstrate where wealth and power in Argentina had traditionally converged, to show how the introduction of ‘more [interventionist] state’ during this period was conflictual even within the context of weak development indicators.²¹ I then identify how Peronism extracted tax from the rural sector through state fixed pricing mechanisms to fund industrialisation, leading to increases in social and political tensions and division from 1946 onwards.

Estancieros and Liberal Development

²¹ The Argentine Pampas are ‘immense, grassy plains blessed with favourable natural resources, unique in the world for their fertility and their proximity to ocean ports’ (Hora 2001, p.1).

In the late-nineteenth century, the pull of the European economy and changes in the wider international economy boosted Argentine prosperity and channelled transnational flows of capital, (some) technology and labour to the pampas (Bulmer-Thomas, 1995). Hora (2010, p. 1) highlights that from a very early date, the large pampas landowners, the *estancieros*, became the main beneficiaries of liberal economic development and Argentina's integration into the world economy. As a result, production in the pampas was more advanced, that is more capitalist, than other areas of the country as early as the mid-nineteenth century based on the rapid expansion of sheep breeding which would later be supplanted by cattle breeding and crops for producing grains (Bethell, 1993). These changing patterns of land-use reflected both domestic and international market opportunities (Lewis, 2002). Demand in Europe for Argentine primary products was at such a level that by the early-twentieth century, Argentina's per capita foreign trade was three times higher than the average foreign trade in the rest of the Latin American countries, and its income per head was five times higher than either Brazil or Colombia (Bulmer-Thomas 1995, p. 433,439).

The landowning class driving this growth, was made up of the most prestigious and influential people in Argentina, able to exert political 'clout' over the ruling elite (Hora, 2001). The most dynamic of these landowners formed the Argentine Rural Society *Sociedad Rural Argentina (SRA)* in 1866, an association to represent the corporate interests of the landowners. Although fragmented initially, this association would come to represent more of the landowners' interests in the twentieth century (ibid.). What was evident at the turn of the century was that although the landowners had benefited from this primary commodity integration into the global system, social conflict was growing, which would pit the large landowning elites firstly against their farmer tenants, smaller landowners and then agrarian actors against the interests of industrialists and the growing urban working classes.

Conflicts between large landowners and small-medium land owners and farmers *chacareros* intensified during the early-twentieth century because of worsening terms of leases, price increases — due to the rapid valorisation of land from diversification towards grain —, rent increases and worsening conditions for tenant farmers, which culminated in 1912 with the creation of the Argentine Agrarian Federation *Federación Agraria Argentina (FAA)* through the general strike that began in Alcorta in the southern province of Santa Fe.²² The *Grito de*

²² There were two more associations created in the twentieth century: *Confederaciones Rurales Argentina (CRA)* was founded in 1943 and represented large landowners with less hectares than SRA members and *Confederación Intercooperativa Agropecuaria (CONINAGRO)* was founded in 1956 as an association representing cooperatives of smaller producers (Fairfield, 2011).

Alcorta demanded (and succeeded in obtaining) better lease terms from the landlords.²³ This conflict between large landowners and tenants spilled over into major cities where the tenants gained support from workers in the nascent industrial sector. This tension was reignited in the early-thirties when drops in commodity prices and export levels were recouped by the landowners by forcing smaller farmers to pay for the market adjustment (Hora, 2001).

Tensions between the powerful landowners and other actors, including the burgeoning manufacturing sector, had also been growing since the end of World War One. During the twenties, American investment outstripped British by two-to-one and United States capitalists became active lenders to the government and active investors in local industry, which meant that there was a growing importance of big enterprises which influenced the industry and big business took firm control of the manufacturers' organisation the *Unión Industrial Argentina (UIA)*. Tensions between business leaders and the oligarchic agro industry started to manifest and this represented the first time that the major export-led agro industry had been publicly attacked by business leaders.²⁴ The argument from the UIA and its President Luis Colombo (1925-1946), was that the landowners are '[...] a burden rather than a force for progress and they do not interest themselves with the country's progress, only their own well-being, provided by rents that they spend in Europe' (ibid., p. 187). This tension would provide a bedrock for domestic structural 'class' conflict that would remain prevalent throughout the thirties and the early-forties.

With the onset of World War Two (1939-1945), Argentine exports to Europe declined further and the ruling government known as the Concordance government(s) *Concordancia* (1931-1943) tried to implement land taxes on the largest landowners with over twenty thousand hectares as a way to finance the process of industrialisation and exacerbating tensions with this group.²⁵ The industrialisation process had benefited from mass migration of workers from The Pampas to Greater Buenos Aires (Buenos Aires attracted 1.1m migrants of which two thirds came from The Pampas (Rock, 1987)), and also as Hora (2001) argues was an acknowledgment that a society would emerge post-World War Two, where 'social justice' would become a

²³ Rents increased from 1/5 of the crop value to 1/3 between 1904-1912 (Hora, 2001).

²⁴ Failed attempts to permeate into the U.S. beef market meant that the rural producers had focused on rebuilding the sluggish beef trade through calls for bilateral deals with Britain (Bethell, 1993; Lewis, 2002). Leaders in the manufacturing industry feared that policy-makers would be influenced by the landowners to give British importers preferential treatment, thus damaging their relationship with U.S. capitalists and stalling industrialisation (Hora, 2001).

²⁵ The Concordancia was a political alliance under which three Presidents ruled Argentina: Agustín Justo (1932-1938), Roberto Ortiz (1938-1942), and Ramón Castillo (1942-1943).

major political issue because of growing demands from this class. In short, there was a recognition that governments would need to look after the growing working classes. The tax was presented by some conservative legislators as a tax on greedy, self-centred individuals who were out of touch with the times (Bethell, 1993). The tax debate itself was contentious because although the centre-right government had originally supported the rural sector and its influential actors, some were breaking ranks to argue against the privilege of the landowners. Tax was at the intersection of class conflict between a growing working class and the landowning elites, one which was being mediated by the state but would become exacerbated further with the arrival of Juan Domingo Perón as part of military coup in 1943 before being elected president in 1946. And of opposing ideas about development and the state.

Peronism: The Rise of the Spending State

The military regime that seized control of the republic in 1943, concluded a period of governance that was widely labelled as the infamous decade *década infame* because of widespread claims of institutionalised fraud and corruption (James, 1988; Hora, 2001). And with it, the coup brought an end to the disillusionment with the ruling class that had failed to convince the Argentinian citizens of their legitimacy, after a decade of instability (Sánchez Román, 2012). Following the military coup, the rights and protections of the growing working class were expanded under Perón's tenure as Secretary of Labour which began in October 1943. During this period, Perón set about addressing some of the basic concerns of the emerging industrial labour force. He rearticulated the role of the state into one that oversaw unionisation and collective bargaining between the state and unions and underpinned this by law (Gerchunoff and Llach, 2010). The massive expansion of union organisation assured working class recognition as a social force in Argentine production and this, shifted the importance towards industry from the rural sector — which fitted in with wider patterns of development in the region. Furthermore, Perón recast citizenship within a new social context that assured their rights to political citizenship — which had been further eroded under the infamous decade (James, 1988).²⁶ And, within this newly found political participation, Perón as head of the Labour Party (1945-1947) *Partido Laborista* (formed by new and empowered trade union leaders in 1945) mobilised the massive support base that he had constructed with the

²⁶ Peronism changed the terms of citizenship by establishing the *pueblo*, consisting of unionised workers, the urban poor and the lower-middle classes as a political actor with rights to social and economic inclusion (Grugel and Riggirozzi, 2007; Wylde, 2012).

Argentinian urban working class in the 1946 elections and argued for social justice and economic independence and against the previous political elitism in Argentina that was associated with the landowners:

The old traditional parties have ceased to be the voice of the people, in order to act instead in small circles of clear unpopular character, deaf and blind to the worries of the mass whose aid they only think to call upon when elections come around (ibid., p. 15).

Peronism became the term deployed to the movement that represented the political, social and economic agenda of Juan Perón and PJ.²⁷ Social justice *Justicia social* was one of the two central tenets of the Peronist movement — the second of which I shall address in a following section — and was one which altered the distribution of wealth and power within Argentinian society, creating tension with former political and economic elites (Murmis and Portantiero, 2004).²⁸ Under Perón, workers ameliorated their economic position and gained unexpected social recognition and symbolical salience (Sánchez Román 2012, p. 83). The urban working class who had rallied around the president in the 1946 election was rewarded in the years following his ascension to power, through the creation and the implementation of the Argentinian welfare state and a succinct focus on the augmentation of wages through wage policies. A raft of policies that were targeted towards the fledging industrial workers would also increase costs for the state. The real wage rises that between 1945 and 1949 increased by 62 percent in Argentina would outstrip the rate of industrial productivity (Sánchez Román, 2012). Furthermore, these wage rises were accompanied by expansions to social security, health systems and pension provisions — 480,000 people were enrolled in the pension system in 1943 which had reached 2.3m by 1947 and 4.6m by 1954 — a freeze on rents and the abolition of evictions, are all emblematic policies that were implemented with a social focus at the beginning of the Peronist era (ibid.). However, it was a social focus through an interventionist state that pitted the traditional powerful Argentine landowners with their conservative political elite supporters against the PJ which would form the bedrock for a conflict around the form of the state that remained unresolved into the twenty first century.

²⁷ Formed in November 1946 as the previous Labour Party was disbanded.

²⁸ Whilst defining the Peronist ideology is a matter of deep scholarly debate and one beyond the scope of this thesis, it has often been described as a form of leftist-populist nationalism (Panizza, 2005), or as a nationalist, expansionary redistributive project, one which favoured urban wage labour over agro-exporting landowning elites (Vellacott, 2007; Weyland, 2001), and which presented a broad political appeal as it redefined citizenship within a social context (James, 1988).

Taxing the Landed Class

Up to this point, shifts in broad ideas about national development have dominated the narrative of the chapter. However, this debate now becomes intertwined with questions of tax as revenue from the landed class was used to fund this process of industrial development. Whilst taxing for the rights to export — as highlighted in Chapter two — had been a contentious issue for rural producers in the mid-nineteenth century, there had been a real absence of consistance tax levied over the producers since then, until the Concordance governments largely failed attempts at land tax reform. However, the reappropriation of rents from agricultural exports would exacerbate these deep political cleavages around Peronism (Lewis, 1975; Peralta-Ramos, 1992, 2019). President Perón expanded and centralised the Grain Regulatory Board (*Junta Nacional de Granos*) that had been created in 1933 to form a single state grain purchaser the IAPI (*Instituto Argentino de Promoción del Intercambio*), in 1946, whose role was to buy grain at state-fixed prices to sell to the exporters (Sourrouille and Ramos, 2013). The prices that were paid by the IAPI to the producers detrimentally affected their interests and therefore were a matter of political conflict, which would underpin long lasting political cleavages as this process was seen as discrimination by producers (Gerchunoff and Llach, 2010). Sanchez Roman (2014) argued that the creation of the IAPI institutionalised state appropriation from rural sector exports and was contentious because the state redistributed these to other areas of the economy. Table 2 highlights the years following the implementation of the IAPI and illuminates how the producers were worse off (by 100 percent) with the government setting the prices and redistributing the profits towards other areas including welfare.

Table 2: Comparative Contribution of the Rural Sector in Argentine GDP (percent)

Period	At Current Prices	If domestic prices would have followed international prices
1925-29	33	33
1935-39	26	28
1947-49	16	32

(Díaz-Alejandro (1975) in Gerchunoff and Llach, 2010)

The deep political cleavages between landowners and Peronists reflects asymmetrical visions of the role of the state. The role of the state was politically disputed, not only because of ideas about the state, but because it was affecting large landowner interests. It was through the IAPI, that the government was intervening significantly into the economy causing contention. Furthermore, as Gerchunoff and Llach (2004) highlight, because of wealth concentration, the Argentine export economy generated inequalities, so to achieve social justice and obtain greater levels of equality, the power of this sector required moderating. Therefore, for Perón, reducing the authority of the landowners would generate a double effect. Income from tax could be redistributed through higher wages and pension payments, and controlling the domestic price of grains would stabilise the price of bread which was a staple of the 'Argentine Consumption Basket'.²⁹ Both measures would address the demands of the urban working classes by providing increased wages and pensions whilst implementing price controls on some major domestic food items (Fairfield, 2011).

However, this wealth redistribution was not only targeted towards supporting the drive for social justice, but also to supporting the second central tenet of Peronism, the concept of national economic independence. This was operationalised through a programme of nationalisations that was planned to both reduce Argentina's dependency on natural resource exports whilst developing the autonomy of the Argentine state by pushing for a shift towards industrialisation and a greater share of manufacturing in the overall production matrix, all of which would need funding. Perón would pay off the remaining debt liabilities and nationalise major foreign-owned Argentine industries — with compensation —, including transportation and shipping.³⁰ Furthermore, Perón was suspicious of multilateral finance agreements through the Bretton Wood institutions and therefore, in an attempt to achieve economic independence, he favoured bilateral deals which he argued would not damage national self-determination (Skidmore 1978, p. 7). What all of this meant was that the state was spending big to achieve both central tenets of the Peronist narrative. And extracting wealth from the rural sector was a pathway to support this (Skidmore, 1978; Bulmer-Thomas, 1995).

Attacks by the government on the landed elites were woven into the narrative of Peronism. These attacks, whilst aiming to reduce the highly inequitable income concentration that had been created under the export development model, would negatively affect the

²⁹ The Consumption Basket is widely understood to mean the affordability of staple foods which is used as a measure of poverty in Argentina. It includes food items that satisfy a minimum level of calories needed to survive, and also includes non-food essential items like clothing (Porto, 2010).

³⁰ All remaining debt was transferred into internal securities. Meaning pre-war foreign obligations had been redeemed in full by 1949 (Bulmer-Thomas, 1995).

interests of the large landowners. The Argentinian wealthiest one percent saw their share of national income drop from 26 percent in 1943, to 15 percent in 1953 (Alvaredo, 2010). Partially through rent freezes that shifted income from proprietors to tenants, which whilst redistributive, was not an official tax, but the tax burden would rise to contribute towards funding a bigger spending state (Gerchunoff and Antúnez, 2002). Furthermore, to curtail an exodus of lower-paid workers from The Pampas to manufacturing jobs, the producers had to raise the wages of their workers, pushing up their costs and driving down profits further (Gerchunoff and Llach, 2010). This process Hora (2001) labelled ‘agrarian reform from above’ and which instigated a permanent animosity towards the government from rural producers. It was not seen as a legitimate process as the producers were not ‘purchasing’ anything for this state extraction, it was being redistributed to another sector and funding policies that did not align with the producers’ interests. It was therefore, never consolidated into any form of fiscal contract. Under Perón, the Argentine state was spending on welfare and on policies aimed at ameliorating the lives of the working classes — that had brought the PJ to power —, however, all of this needed funding and an inability of earlier governments to address tax questions meant that tax systems in Argentina at this point remained weak.

Public Spending and Indirect Taxes

The coup which brought the military to power in 1943, was not the first occasion during this contemporary period of Argentine history where tax debates had come to the fore. Structuralists (including Prebisch) believed that the 1930 military coup that supplanted the government of Hipólito Yrigoyen with José Félix Benito Uriburu, presented the perfect opportunity to implement tax reforms in the country, as there was a lacuna of political interference and the treasury was in a critical situation. Although a number of emergency tax measures were introduced, there was a reticence from Uriburu surrounding the implementation of progressive income tax implementation due to animosity he feared would be created between conservative supporters and the landed oligarchy (Sánchez Román, 2012). The landowners presented an obstacle to tax reform. The Concordance government that followed did not challenge the landed oligarchy’s influence through taxation until the final years of its rule and then unsuccessfully. Table 3, demonstrates how the largest percentage of tax take 1932-1940, was based around indirect taxes on consumption at a level of 37.3 percent and the reticence of Uriburu and the subsequent government to directly tax the powerful land-owning elites meant

that the level of direct taxation was at a level of 10 percent of the total tax burden (Cetrángolo and Gómez Sabaini, 2010).

Up to this period, indirect taxes had dominated the Argentinian fiscal framework. However, direct progressive taxes present opportunities to tap into income that was strongly concentrated at the top level of society, they constitute an important fiscal tool both for reducing this concentration and for ensuring that the state has resources for its redistribution (Antía, 2019). But direct taxes can be contentious when their rationale is contested. Therefore, by imposing reforms from above, Hora (2001) and Sánchez Román (2012) argue that price setting through the IAPI — although not a direct tax in the traditional sense — was not legitimised in the eyes of the rural producers. It was contentious because it affected their interests and as the monetary difference between the prices paid to the producers and the international prices of commodities was being utilised to support a different sector, it fitted with opposing visions of development.

Table 3: Average Tax Collection by Decades(1930s-1990s)

Decade	1932- 1940	1941- 1950	1951- 1960	1961- 1970	1971- 1980	1981- 1990	1991- 2001
As percentage of GDP							
Income: benefits and capital gains	0.95	2.56	3.37	2.35	1.37	1.02	2.54
Assets	0.32	0.25	0.47	0.54	0.61	0.54	0.35
Taxes on goods and services	3.52	3.69	4.73	4.85	5.47	6.17	8.74
Taxes on international trade and transactions	3.27	1.03	0.44	1.77	1.83	1.73	0.92
Social security contributions	1.37	3.01	4.86	4.2	4.51	2.94	4.31
Others	0	0.06	0.12	0.15	0.17	0.4	0.49
Federal gross tax revenues	9.43	10.6	13.99	13.86	13.96	12.8	17.35

(Cetrángolo and Gómez Sabaini, 2010)

The Perón government did manage to increase the overall tax burden as shown in Table 3, but it was not through an extensive programme of direct taxes, but a continuation of indirect tax utilisation. Furthermore, whilst the tax burden was increasing, importantly, public spending also continued to expand — as highlighted ahead in Table 4 — which meant that the Perón

government would spend more than it collected in each year of this first mandate (Gerchunoff and Díaz-Alejandro, 1989). Therefore, although the income from tax was augmented, it could not keep pace with the level of services and wealth redistribution that was undertaken by the Perón government, highlighting a rising fiscal tension that would become endemic in Argentina from this point onwards — which I shall explain in a later section. In 1946, 33 percent of total national government expenditure was funded through taxes — both direct and indirect.³¹ By 1955, this level had increased to 55 percent (Sánchez Román, 2012; Cortés Conde, 1956). As Sánchez Román (2012, p. 86) argues, for a government that was committed to greater wealth distribution in society, one may expect greater use of taxation, yet the distributive policies were not underpinned by direct taxation but upon the maintenance of full employment and high wages in industry and increases of public expenditures that were funded by alternative sources including social security taxes and foreign trade profits. That said, there was some tax reform. The tax burden overall had increased (Gerchunoff and Antúnez, 2002), aided in part by the strengthened capacity to tax through the centralisation of tax collection under the newly created institution: *Dirección General Impositiva (DGI)*. From its level in 1946 to 1955, some tax levels were increased substantially: Corporation tax 10 to 24 percent, the top bracket of personal income tax 22 to 40 percent and the maintenance of tax on extraordinary profits that was instigated as an emergency measure during World War Two but was repeatedly renewed with the justification of a more equitable income distribution.³²

In fact, however, ‘indirect taxes and not progressive direct tax prevailed under the Perón administration post-1949’ (Sánchez Román 2012, p.119). Significant increases in taxation were by and large, avoided. Figure 2 shows that direct taxes increased slowly during the early years of the Perón premiership where it peaked in 1947, at a level of 48 percent of the total tax burden, before receding. This is because the implementation of new sales taxes in 1948 changed this trajectory and the level of direct taxes had fallen by nine percent to 39 percent of the total burden in 1955, the implementation of the sales tax was in part, a policy to encourage industrialisation (Sánchez Román, 2012). Therefore, in an attempt to shift the Argentine economy towards an industrialised mode of production, and with it, greater state autonomy — which was one of the underpinning tenets of Peronism — the state would require greater tax income because the burden of industrialisation needed funding (Skidmore, 1978). As time

³¹ Excluding social security taxes (Cortés Conde, 1956).

³² Tax policies under Perón were embedded into the constitutional reform of 1949 which stated that ‘equity and proportionality are the basis of taxation and public burdens’. The reform was aimed at legitimising fiscal discrimination and progressiveness (Sánchez Román, 2012).

progressed, indirect taxes — which are regressive taxes as the tax level applied is the same but more burdensome to lower-paid citizens, associated with the working classes — became more important to the Perón regime than direct taxes.

Figure 2: Direct v Indirect Taxation 1943-1955



(Sánchez Román, 2012)

Challenges to Peronism and Funding the Argentine State

Not raising the tax burden above 14 percent of GDP (see Table 3), would become problematic for the president who was pursuing a redistributive agenda whilst simultaneously an industrialisation programme, for a number of factors. First, although Perón had managed to crystallise the shift towards industrialisation seen through rises in manufacturing employment [see Appendix 2], real year-on-year percentage increases in both manufacturing and agricultural economic output were weak or contracting from 1948 onwards to 1954. Second, between 1946-1949 the redistribution that had been pursued by the Peronist government had been driven by strong commodity prices but from 1949 international prices of Argentina’s main agricultural export commodities (corn, wheat and flax) started to fall. Third, net terms of trade plummeted in 1951 because of the Central Bank’s currency devaluation, which led to an exhaustion of foreign currency reserves — which had been utilised to buy imports for the industrialisation programme, stabilise the exchange rate and control inflation — and would become emblematic of the redistributive fiscal and balance of payment problems that would

besiege Argentina throughout the twentieth and into the twenty-first century (Cortés Conde, 1956; Skidmore, 1978; Gerchunoff and Díaz-Alejandro, 1989; Gerchunoff and Antúnez, 2002; Sánchez Román, 2012).

The redistribution pathway that had been pursued by the PJ was simultaneously exacerbating the deteriorating level of currency reserves. With the increases in real wages, this in turn initiated an increase in import requirements that was driven by a working class with increased income which would push up inflation and erode the real term wage gains [see Appendix 3]. This increase in imports would erode the foreign currency reserves needed to purchase imports for industrialisation and to give confidence to attract investment, laying bare a key developmentalist puzzle, growing inflation and a negative balance of payments account. Furthermore, the fiscal balance had remained in a deficit position with the government consistently spending more than it was collecting (see Table 4).

Table 4: Fiscal Deficit percentage of GDP (1945-1955)

Fiscal deficit as (%) of GDP	
1945	4.6
1946	6.9
1947	5.8
1948	13.4
1949	9.8
1950	5.5
1951	4.5
1952	5.6
1953	8.8
1954	8.5
1955	8.9

(Gerchunoff and Díaz-Alejandro, 1989)

In light of these factors, the government instigated the *'Plan de Emergencia'* in 1952, which was a stabilisation plan underpinned by enhanced rural exports and greater fiscal responsibility and a reduction in redistribution. However, sluggish growth in traditional sectors — whose competitiveness had suffered through national focus on the industrialisation process —, an inability to raise the tax burden, a growing fiscal deficit and growing inflation meant that the military overthrew President Perón in 1955. What I want to highlight in this period is the

politics of redistribution and the complex characteristics of extracting wealth in Argentina. This has generated contention between redistributive governments and rural elites, especially when the process is not seen as legitimate. When there is an absence of agreement this can create tension and redistribution becomes more difficult. Furthermore, this situation becomes even more problematic when, because of a lack of tax, the state turns to debt to fund its obligations. In the next section, the role of tax for development, will be traced through the period (1955-1983) where questions of democratisation would dominate Argentine political economy, but which also sat squarely between the debate around the classification of the state whether it be one of intervention or one of laissez faire economics.

Post-Peronist Politics: Low Tax, Continuing Social Conflict and Growing Debt (1955-1989)

In this section, I highlight that following the overthrow of Perón in 1955, the role of the state continued to dominate development debates in Argentina. Failure to implement tax reforms and increase revenues meant that debt became the primary way to fund Argentine development. At the same time, the interests of the rural sector remained enmeshed with the tax debate but this time, because of weak governments and lower commodity prices, producers in the rural sector were not taxed 'too hard', so although contentious, this was a period where conflict between government and the landed elites was lower. This era was characterised by political instability with rule interchanging regularly between the military and civilians [see Appendix 4]. Diamand (1983) argued there was a virtual pendulum between civilian and military regimes. This made it difficult to address the structural macroeconomic problems of financing the Argentine state which became endemic. Furthermore, with the prohibition of the PJ from elections, the interests of the working classes were effectively excluded from the formal political arena, which, would exacerbate tensions, especially as wage cuts were a 'conditionality' of the additional borrowing required to fund the state. Whilst there were attempts at navigating a 'middle development line' in a few isolated cases, this period is broadly characterised as a struggle between those who sought to end economic interventionism and return power to the markets, and those who sought deeper state intervention into the Argentine

economy.³³ However, the tax debate became more convoluted during this period with questions of democratisation an additional factor within the tax debate. The tax fault line did not exactly trace the struggle for the characterisation of the state because tax would be used differently during this period, depending on the availability of other financing sources, but it remained overwhelmingly contentious.

Tax for Development: New Taxes, Old Problems

The tax design that was implemented under Peronism, for the most part, endured until 1976. Two principal reasons for this were that the tax system had become so complex that major reforms were avoided and because of the costs involved in doing this. The average tax burden as a percentage of GDP remained around a similar level for three decades: 1950s was 13.99 percent, 1960s was 13.86 percent and the 1970s saw a tax burden of 13.96 percent (Cetrángolo and Gómez Sabaini, 2010). However, although the burden remained similar, Table 3 demonstrates a shift back towards indirect taxation as the protracted social and political conflict during this period deeply undermined the basis of a progressive Argentine tax system, and therefore the burden remained at a similar level. Furthermore, the social and political conundrum over who to tax would be avoided by structurally weak governments and instead, debt and inflation would become viable political alternatives.

Direct export taxes in their current form did become more prevalent in the post-Peronist period. The IAPI that had been central in extracting tax from the rural sector under Peronism — and therefore a matter of deep contestation for landowners, producers and conservative politicians — was disbanded on 16th September 1955 (Sánchez Román, 2015). The following year, export withholdings *retenciones* were first levied on agricultural exports (Barsky and Dávila, 2008), the utilisation of which would be applied at varying levels between 1956-1976. Taxes were first implemented at a level of 15 percent over cereal commodities including maize and wheat. This early implementation of the export tax regime created tension between the government(s) and landowners with the SRA arguing that these taxes were discriminatory towards the sector, which shows that these taxes began to instigate contention between the producers and government as soon as they were levied. This would set the bedrock for contention which would last into the twenty-first century — at varying levels (Gerchunoff and

³³ Presidents Illia (1963-1966) and Onganía (1966-1970) were two presidents who sought to navigate a more central development trajectory with President Illia implementing a minimum wage and promoting heavy industry (Tedesco, 1994).

Llach, 2010; InfoAgro, 2020). However, by and large they were initially accepted because there was an understanding on the part of the producers that these were a temporary measure that were used intermittently by governments (Barsky and Dávila, 2008), deemed as necessary due to the political and economic instability that characterised this period (Sánchez Román, 2015). And because the producers and the associations of the rural sector felt that they had been very badly treated *maltratados* by President Perón, this tax to them represented a better scenario than the price fixing mechanism of the IAPI (ibid.).

Furthermore, the producers were not losing as much money as high profits were not there to be collected due to falls in commodity prices which began a downwards trajectory following a price boom in the late forties. The price of corn in December 1947 had reached a high of \$USD295 per bushel which by 1956, had dropped to \$USD136 and by 1968, \$USD119 (The World Bank, 2021a).³⁴ What all of this means is that the surplus profit from high commodity prices that had been present during the Peronist decade for redistribution, was no longer there to be extracted. Therefore, the producers were not losing this profit as international prices were dictating that these gains were not there for collection, anyway. However, the tax still created tension, but this was through a different logic. Producers and exporters claimed that the export taxation regime penalised production and deterred exports in times of a sluggish market with low commodity prices. Since the price that the producers receive is based on the world market price of commodities, the return to the producers after taxes ended up below the international commodity prices (Hutchison, 1972). Therefore, this directly affected the levels of commodities that the producers exported as they chose to hold on to their products. Over the course of the sixties, agricultural exports as a share of total exports fell from 98 to 85 percent (ibid.).³⁵ Sánchez Román (2012) argues that when the low commodity prices in the late fifties and early mid-sixties were coupled with reduced exports, it meant that the tax was viewed as ‘pointless’. Whilst not expanding on whether it was viewed by the government or producers as pointless, it highlights that these taxes were less polemical because prices were lower and therefore, there was less to be collected from export taxes and less for the producers to lose.

Table 5 shows how these taxes were re-introduced between 1965 and 1970. Whilst it traces that they were levied at a low rate in 1965 by President Illia’s civilian government, they did not attract contention with prices remaining low. When these were hiked across all products in 1967 under military governance, they were done so in a different context. Export taxes this

³⁴ A bushel of maize is equivalent to 56lbs.

³⁵ This was also affected by poor harvests in 1961 which attributed to a lower export levels (Conklin and Davidson, 1986).

time were imposed on practically all exports of grains and livestock products as well as live animals, but they were done so to avoid exporters' windfall peso gains during a major devaluation of the peso — that was a requirement to access IMF loans (Hutchison, 1972).³⁶ These hikes were then followed by systematic decreases in tax levels in 1968 before being hiked again in 1970, but as producers had benefitted from a weaker peso to aid exporting and the tax level was intermittent, by and large these did not generate the tensions that the price fixing mechanism had.

Table 5: Export Tax levels on major exports (1965- July 1970) (percent)

Date	1965	Mar-67	Nov-67	Apr-68	Oct-68	Jul-70
Wheat	13%	25%	18%	6%	6%	17%
Corn	6.5%	25%	25%	18%	8%	19%
Sorghum	-	25%	25%	18%	8%	19%
Beef	9.5%	25%	18%	18%	15%	20%

Source: United States Department of Agriculture (1972)

Furthermore, another rationale for reduced tensions between governments and the producers over export taxes during this period can be drawn from the fact that now, the rural associations had formal channels into government, enabling them to advocate for the producers' interests. Schneider (2004) highlights that between 1955-1983, 74 SRA members were appointed to 94 government positions also offering explanations as to why tax did not change dramatically during this period as the rural sector had political influence. However, between 1973-1976 under both President Juan Perón's second presidency (1973-1974) and the presidency of his wife and successor Isabel Martinez de Perón (1974-1976), no members of the SRA were appointed to government positions when the export taxes would be reintroduced in a mobile mechanism (ibid.).

This would again generate conflict with the producers, not least because taxes were reimposed as prices had started to rise and therefore as argued by Gerchunoff and Llach (2010), the tax was once again deemed by the producers as an attack on profits and a further example of its perceived maltreatment by President(s) Perón towards the rural sector. Since the return

³⁶ The peso was devalued from 250 to 350 per \$USD1 as part of the IMF's conditions for securing finance. The plan also required the reduction of import duties and lifting of import restrictions and the elimination of export subsidies. Increased utility charges for public services, higher internal taxes, higher taxes on exports, wage controls and increasing credit to the private sector (IMF, 1967).

to power of President Perón in 1973, the sector had lost its political influence and under the mobile tax mechanism, the sector's interests were being adversely affected by tax hikes because commodity prices were on the ascendency and profits were being eroded by the taxes. The price of a corn increased from \$USD128.5 per bushel in 1970 to \$USD382 by 1974 (The World Bank, 2021). This increase was accompanied by strong growth in other commodity prices including wheat and soybeans and therefore taxes on cereals and oilseeds were hiked to just under 40 percent in 1974 whilst taxes were applied at lower levels on Meat (20 percent) and Dairy (10 percent) (Brambilla, Galiani and Porto, 2018).³⁷

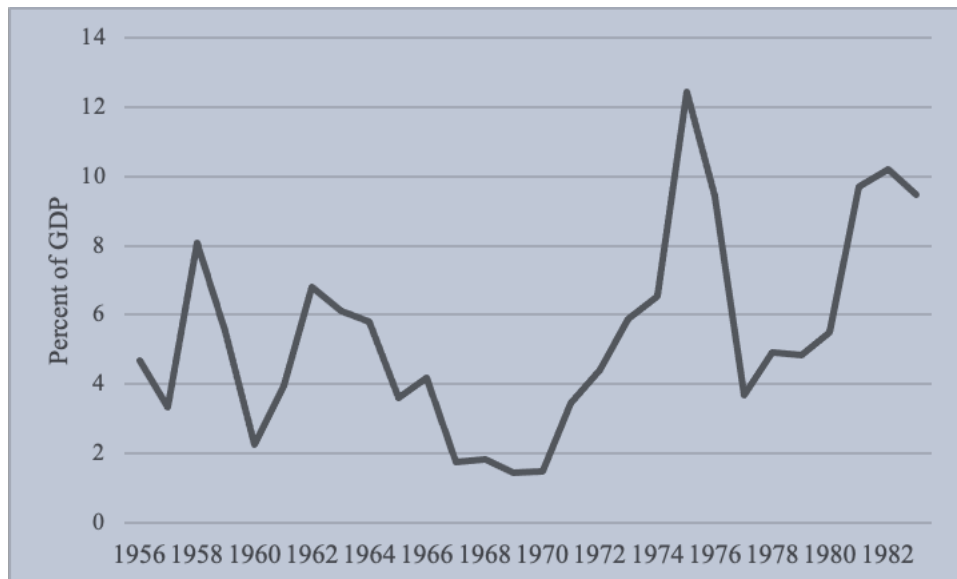
However, throughout the sixties and seventies, the imposition of these taxes did not raise the overall Argentine tax burden, which meant that increased government spending would need to be met with hikes in borrowing. During the sixties, the overall tax burden actually diminished as a percentage of GDP from the previous decade see Table 3, with direct taxes showing the largest deterioration. This drop was attributed in part to two interrelated factors that were endemic during this period of Argentine development. There was a linkage mechanism between inflationary pressures which impacted upon economic production and increased incidences of tax evasion. During this period, inflation was high, prices increased every year (apart from 1969) by over 10 percent (Gerchunoff and Llach, 2010). In some years this skyrocketed: 129.5 percent in 1959, 182.4 percent in 1975 and 444 percent in 1976 (Sánchez Román, 2012). As inflation moves taxpayers from one tax bracket to another, their real incomes do not increase with this and in many cases, taxpayers defer paying tax which increases the pressure on other taxes and other taxpayers (Mayer, 1962). Sánchez Román (2012) correlates high inflationary pressures to increases in tax evasion estimated in 1959 to reach 63 percent and in 1975 over 75 percent. This decrease in direct taxes and an increase in indirect taxes is traced in Table 3. However, the inability to expand the tax base is not only an economic challenge, but also overwhelmingly a political one.

Bergman (2019), argues that it is political because governments do not want to damage their political support bases by increasing tax over groups whose votes they rely on. In this light, popular democratic rulers across much of Latin America including Argentina opted to avoid broadening the income tax base to fight tax evasion because such a strategy would hurt their voters. However, whilst this is a salient point and demonstrates one argument of how politics is enmeshed with tax collection, I want to draw attention again to the fact that the tax

³⁷ Part of the oilseed group now incorporated soybeans which Argentina began exporting in 1973. Within six years exports had grown from 1000 tons to 2.84m tons (FAOSTAT, 2021).

spend remained contentious during this period, because it sits squarely with the tension surrounding the conceptualisation of the state. Following the overthrow of President Perón in 1955, government spending was reduced from 30 percent of GDP to 25 percent by the Frondizi government, which was cut further by subsequent military governments to 23 percent. On re-election, President(s) Perón increased government spending back to 30 percent by 1975.³⁸ However, this level of government spending was problematic because the government was not collecting enough tax revenue to meet the level of spending it was pursuing. Therefore, debt increasingly became the fallback option to meet these demands and to plug the recurrent fiscal deficits see Figure 3. This tension became all the more acute following 1973 when spending increased by seven percent in a year, and so did the fiscal deficit. Moreover, it highlights the reliance that Argentina had built on foreign debt because by 1975 only one out of every three pesos spent by the government was raised from taxation (Conklin and Davidson, 1986), all other financing was through a programme of quantitative easing or borrowing, which meant that debt was being used to avoid difficult political tax questions.

Figure 3: Argentine Fiscal deficit (1956-1983) (-percent)



Source: Gerchunoff and Llach (2010). Graph Authors own.

Owing to the low tax burden and periods of increased spending, Argentina’s debt liabilities had grown exponentially since 1955 which meant that when just before President Juan Perón’s

³⁸ Isabel Perón succeeded her husband as President of the republic following Juan Perón’s death in 1974.

death in July 1974, the increased spending programme that was implemented led the IMF to decline any requests to extend medium- and long-term loans further (Conklin and Davidson, 1986). At this point they would only issue short-term aid. The level of public sector debt which was required to be repaid in 180 days grew from \$USD379m in 1974 to \$USD717m in 1975. By 1976, \$USD1.1b short-term loans were due for repayment. However, this debt too had a class dimension because when both Peronist Presidents attempted to reverse some earlier military policies — which formed part of the loan conditions by the IMF in 1967 —, the policies they were reversing were policies that had placed the burden of debt servicing on the working classes because real wages had fallen by 11 percent in 1968 and a further 7.6 percent in 1969. In this light of growing debt and a narrow tax base, the hikes in export taxes presented an opportunity to once again redistribute away from the rural sector in support of the working classes. But this time it was no less contentious and by 1976 it was met by calls for strikes from the rural associations (Manzetti, 1992).³⁹ As debt had been used to circumvent tax questions, and spending was increasing, foreign creditors insisted that Argentina stabilise its finances but before President Isabel Perón could renegotiate with the IMF, she was deposed by the Military Junta of Jorge Videla in 1976.

Exacerbating the Rural v Industrial debate: Debt Dictating Development (1976-1989)

Following the overthrow of Isabel Perón, Argentina was ruled by a military government through ‘State Terrorism’ (Peralta-Ramos, 1992). The state apparatus was entirely under the autonomous control of the Junta and the seven de facto presidents who would represent it between 1976-1983. Under the first President, Jorge Rafael Videla the military exacerbated the tension between the landed and working classes by implementing policies that would favour the rural producers and negatively impact the working classes. Economic policies headed by the Economy Minister José Alfredo Martínez de Hoz (1976-1981) included a dramatic cut to real wages and a shift in the direction of the economy through a swing back towards natural-resource exportation and the removal of the export taxes. The Junta initially sought to ‘harmonise the development of farm [rural] and industry by stripping the later of its privileges

³⁹ Economic tensions during this period extended beyond those between the government and the rural sector. A package of economic policies known as the *Rodrigazo* was implemented by Economy Minister Celestino Rodrigo in May 1975. Its aim was to address the growing fiscal deficit and improve productivity through a 150 percent currency devaluation, a 100 percent hike in transportation and utility prices, a 180 percent rise in the price of fuel and a 45 percent hike in real wages (Clarín, 2005). The inflationary pressures that followed meant that prices increased by around 30 percent per month which would lead the largest labour union, the CGT, to call for the first general strike under a Peronist government demanding wage rises of between 125-150 percent (Kiguel, 2015).

that it had acquired and restoring the former to its lost economic power' (Peralta-Ramos 1992, p. 72). Although the unions were not disbanded, real wages were cut by 32 percent in 1977 and then until 1983 increases were controlled at 0.23 percent cumulative growth per annum (ibid.). In contrast, production grew over the same period at a cumulative annual rate of 4.97 percent, sending the ratio of wages to productivity plummeting.

The cessation of economic interventionist policies and the move towards liberalisation of the economy attributed to a rapidly growing debt burden. Before the military assumed power in 1976, the level of external debt had reached \$USD7.8b. The following year it had reached \$USD9.6b and by the end of the dictatorship in 1983, Argentinian external debt had risen to a level of \$USD46b (ibid., p.143), an increase of 364 percent during seven years of military governance. In line with regional economic patterns at this time, state financing in Argentina had become dangerously dependent on continuous borrowing from foreign banks and had maintained a constant fiscal deficit (ibid., p.145). Further loans were needed to pay existing debt, debt was financing debt and interest rates were skyrocketing — meaning debt was also more expensive.⁴⁰ These state financing challenges meant that the military now turned to the rural sector and reimposed taxes of 25 percent on exports of cereals and oilseeds (InfoAgro, 2020). However, this was not enough to address the governments macroeconomic problems, which were coming under increasing pressure from mass capital flight to the U.S. This in turn was adding to growing domestic instability that was brought about, partially, by numerous administration changes and meeting the strengthening demands of the working classes who were protesting against the deteriorating state of the economy — this had contracted by 6.2 percent in 1981 and 5.2 percent in 1982. All of which culminated in a return to democratic elections and the electoral victory of Raúl Alfonsín of the Radical Civic Union (*Unión Cívica Radical (UCR)*) in December 1983.⁴¹

President Alfonsín had the task of rebuilding the country, both politically and economically. Prices had soared under the preceding three years of military rule. The index of wholesale prices rose by 180 percent in 1981, 311 percent in 1982 and 411 percent in 1983. Investment in Argentina had stifled, brought about in-part by instability and lack of confidence in previous administrations. This level had fallen from 23.2 percent of GDP in 1980 to 14.1 percent in 1983. Exports fell by 20 percent from 1982-1983 (Kedar, 2013). Alfonsín and his

⁴⁰ The Interbank interest rate (Libor) increased by 28 percent in real terms from 1979 to 1982, in short, any borrowing that Latin American administrations implemented to fund the state during this period, would cost much more than in the preceding years (Armendáriz and Larraín, 2017).

⁴¹ The Argentine invasion of the Falkland Islands in April 1982 instigated a short but expensive war with Britain and the defeat was a catalyst for the return of elections as it had eroded any remaining regime legitimacy.

government inherited a situation characterised by the acceleration of the struggle of the appropriation of income between rural and industrial sectors. And as such the administration attempted to implement a National Agricultural Programme *Pronagro* whose aim was to increase rural production over a six-year period. However, as it was a programme that called for significant state intervention into the sector through government controlled prices, credit policies and land taxation, it was rejected by the two of the major rural associations; the CRA and the SRA and received limited support from the FAA and CONINAGRO (Manzetti, 1992). The SRA called instead for the abolishment of all export taxes — which had remained from the previous military government — and demanded that the government should focus its support on agricultural exports over industrial production, instigating protests from the UIA. However, this situation was not born out, and the level of extraction from the rural sector in the early and mid-eighties was substantial with the World Bank estimating that 45 percent of its GDP was transferred via taxation to the public sector and other parts of the economy (ibid., p. 613). One of the areas that this supported was an increase in wages throughout the industrial sector, this time not to appease powerful trade unions but in a nod to earlier distributionist models to stimulate domestic demand through the availability of finance available to citizens (Kedar, 2013).

This revenue transferred from the rural sector was an essential source of finance for the government because the enormous growth of foreign debt had drastically diminished the resources available to the state. This, in turn, made it more difficult to continue the programme of state managed subsidies. The traditional patterns of subsidies to agricultural and industrial sectors would now be transformed under pressure from international debt repayments (Peralta-Ramos 1992, p. 87). Addressing contradictory interests of industry and the rural sector was becoming a Sisyphean task for the government (Teichman, 2019). Falling prices of commodities including beef and grains in the mid-eighties further exacerbated the rural sector's position. The deteriorating economic environment was at such a level that it managed to unite ten of the most influential representatives of agriculture, finance and industry along with the General Confederation of Labour *Confederación General del Trabajo de la República Argentina (CGT)* who were calling for reduced government intervention into the economy, which was deep in recession and by 1985, suffering under hyperinflationary pressures above 2000 percent (Dornbusch and Carlos De Pablo, 1989).⁴²

⁴² In order to exercise greater pressure on the government, the SRA, CRA and CONINAGRO joined in 1984 with the so-called group of 11 who represented the country's ten major interest groups in industrial, agricultural,

Whilst attempts to address hyperinflation and interrelated (deteriorating) macroeconomic indicators through the Austral Plan were received positively by actors in the rural sector, there remained rising tensions between the sector and the government because price controls remained and there was a continued use of export taxes.⁴³ As a concession, the president appointed an SRA member to be Minister of Agriculture and because of low international prices, export taxes on maize and wheat were abolished in early-1987 (Manzetti, 1992). However, continued macroeconomic pressures and further borrowing led to national debt levels reaching \$USD51.5b by the end of 1987. An attempt to address this was with the implementation of a two-part Spring Plan *Plan Primavera* whose target was the stabilisation of the economy to control hyperinflation. However, part of this plan would exacerbate political cleavages around interventionist policies further as it included the reimposition of export taxes in May 1989 at levels of 30 percent withholding on each commodity. This reintroduction of taxes instigated immediate opposition from the SRA and its members, who protested during their Annual Conference, accusing the tax of being discriminatory (InfoAgro, 2020).

These taxes and the wider Spring Plan were not enough to control the growing hyperinflation. This cycle of debt fuelled state funding would continue and the economic instability beset upon Argentina became more complicated as due to non-compliance with earlier agreements, finance options were withdrawn from the IMF and later the World Bank (Kedar, 2013). The president left office early in July 1989 with hyperinflation having pushed consumer prices up by 3,610 percent and wholesale prices by 5,062 percent in 11 months, and power returned to PJ with the election of Carlos Menem (ibid.).

The Shift to Market-Led Development: Debt rises still further (1989-2001)

In this final section I shift the chapter's focus to what is the final period of Argentine development explored in this chapter to show how the debate about state intervention shifted in this period and was characterised by an absence of state and the return of the market.

commercial and financial fields and were joined by the CGT in order to negotiate a pact among themselves to overcome the crisis (Manzetti, 1992).

⁴³ The Austral Plan was introduced as an attempt to address the deteriorating economic landscape in a period when agricultural prices remained relatively low (Antón et al., 2019). The fundamental tenet of the Austral plan was a currency change. The Austral replaced the peso at a rate of 1:1000 and was accompanied by a freeze on prices and wages, an increase of state utility prices and a commitment not to carry out a programme of quantitative easing.

However, the debate would not be resolved and conflict around market-led policies and an absence of state intervention would culminate in the largest debt-default the world had ever seen and a rejection of earlier neoliberal reforms. When a period of continued low commodity prices converged with a new pro-market state vision, there was less redistributive conflict between the government and the rural sector and taxes on agricultural exports became subsidiary. However, because of an overvalued peso and skyrocketing debt, mostly borrowed locally in dollars (Feldstein, 2002), tensions would begin to build throughout wider areas of society through wide-ranging deteriorating macroeconomic indicators.

A Peronist, Menem had the task implementing a reformist agenda to counter the economic conditions that had led to Alfonsín's resignation. However, the reforms that were implemented demonstrate the wide scope of ideas within the PJ itself, surrounding the role of the state within the economy. Policies were simultaneously implemented to control hyperinflation — including the instigation of the Convertibility Plan which stipulated free convertibility of the Austral into \$USD — whilst sitting squarely in the Washington Consensus' neoliberal narrative of privatisation, trade liberalisation, deregulation and related market-orientated policies (Bambaci, Saront and Tommasi 2002, p.76).⁴⁴ What Smith (1991) called an 'assault on the state'.⁴⁵ However, as Panizza (2005) highlights, this was not just an economic shift, it was an ideological one. Neoliberal policy prescriptions range from broad guiding principles that advocate the benefits of reducing state intervention into economic affairs, therefore, they sat squarely within an ongoing debate around the characterisation of the Argentine state.

Starting immediately after his inauguration in 1989, President Menem's plan was to restructure the state apparatus as rapidly as possible, to reduce the public sector's intervention in and regulation of, the economy (Smith, 1991; Antía, 2019).⁴⁶ Menem aligned Argentina with the economic doctrine of the prevailing Washington Consensus which subsequently allowed for the reintroduction of IMF drawing rights. However, tax reforms to reduce marginal rates and broaden the tax base were part of the Washington Consensus' doctrine (Panizza, 2009). Trade liberalisation led to an increase in the level of exportations throughout Menem's tenure as president (1989-1999) and led to the creation of MERCOSUR. Table 6 highlights the

⁴⁴ At a rate of 10,000 Australs to \$USD1.

⁴⁵ Through economic shock measures, inflation fell from 200 percent in July 1989 to 5.6 percent in November 1989. Austerity policies, included increasing government-controlled prices of petroleum products, electricity and transports from 200 to 640 percent, tax breaks were suspended along with promotional business incentives and the currency was devalued by 170 percent (Smith, 1991).

⁴⁶ A major privatisation programme included state-owned electricity, water, gas pension system and the national oil refinery (Smith, 1991).

continued upwards trajectory in export levels until 2000. However, the production matrix of these demonstrates a shift back towards a comparative advantage with natural resource exportation one which benefited the rural sector especially following the abolishment of export taxes when Menem came to office (InfoAgro, 2020).⁴⁷

Table 6: Volume of exports of goods (percent) (1985–2000)

Year	1985	1990	1995	2000
(%)	49.3	70.3	100*	136.2

* 1995=100

Source: CEPALSTAT (2021)

Reduced Conflict and Rural Sector Transformations

Although President Menem was elected from the Peronist Party, under his presidency, relationships between the government and the rural sector were much improved. Manzetti (1992) argues that the president’s commitment to free-market policies, rolling back the state and privatisations found its biggest supporter in the SRA. Early tensions surrounding the currency overvaluation — brought about by the Convertibility Plan — had been addressed between the government and representatives of the FFA, CRA and CONINAGRO through a ‘fiscal pact’. In this pact, Economy Minister Domingo Cavallo (1991-2001) agreed to abolish taxes on exports on the understanding that the associations urged their members to increase production, pay the new VAT, property and land taxes. Moreover, the Minister conceded to long-standing demands by the rural associations by creating joint commissions of government and representatives of the rural sector to negotiate new taxes, transports and credits (ibid.). In short tensions during this period were reduced.

Importantly, the overvalued currency and low international prices during the nineties impacted on the composition of actors in the rural sector, as this led to a race for productivity and economies of scale that benefited those medium-to-large producers with the financial capacity to invest, the entry of large foreign entities and the expansion of the agricultural

⁴⁷ The top five exports by volume in 1989, were: Cereal and Vegetable oil 21 percent, Meat and Eggs 11 percent, Machinery 8.3 percent, Chemicals and Health products eight percent and Metal products 5.6 percent. The level had shifted following a decade of compliance with neoliberal policies championed by the Washington Consensus and the top five exports by 1999, were represented by: Cereal and Vegetable Oils 30 percent, Oil 12 percent, Machinery 12 percent, Chemicals and Health products 7.8 percent and Food Processing 4.7 percent (OEC, 2019).

frontier through processes like genetically modifying soybeans (Gras and Hernández, 2009). These changes actually supported a disarticulation of the sector as a coherent political actor, as landowners and family businesses were now sharing the market with foreign businesses, planting pools, trust companies, and professionalised tenants (Gras and Hernández 2016; Hora 2020). Furthermore during the nineties the rural sector became more heterogenous in its composition, with the type of roles associated with agricultural production diversifying to include other activities such as contractors, consultants, service providers, local machinery and chemical producers and transport companies, most of whom no longer lived ‘on’ the land but in nearby small towns and cities ‘strongly linked to their surrounding environment’ (Craviotti, 2008 :9; Gras and Hernández, 2016). In short, a wider range of businesses were enmeshed within the sector which meant that interests outside of those of the traditional producers became important. However, the associations remained key players the ‘fiscal pact’ between the government and the rural associations remained and the export taxes were not re-imposed. President Menem’s reforms to increase the tax base yielded only moderate results. By the end of the nineties, the total Argentine tax burden was less than 22 percent. This was well below other countries in the region, and well below the OECD averages of between 35-40 percent at the end of the same period (OECD, 2021).⁴⁸ But debt had continued increasing as this had been used as a vehicle of state financing instead of addressing tax questions see Table 7.

Table 7: Argentine Foreign Debt (1993-2000)

Year	1993	1994	1995	1996	1997	1998	1999	2000
Billion \$USD	72	87	99	110	124	141	145	146
(%) of GDP	32.5	33	37	40	44.5	49	51	52

Source: Ministerio de Hacienda, 2019

Following the completion of President Menem’s two terms in 1999, Argentina descended into a tumultuous period of social, economic and political instability that resulted in deteriorating macroeconomic indicators including high inflation, growing unemployment, poverty and rising social conflict.⁴⁹ An inability to address tax questions eventually led to Argentina defaulting

⁴⁸ Brazil and Uruguay had a tax burden of above 30 percent in this period (Acuña and Galiani, 2007).

⁴⁹ Fernando De la Rúa was elected as Argentine president in 1999 and was president until his resignation on 23rd December 2001. His successor, Adolfo Rodríguez Saá announced that Argentina would not repay the \$18m that was due the following day and Argentina defaulted on its huge sovereign debt liabilities on December 24th (Kedar 2013, p. 178).

on its debt liabilities in December 2001 and plunged the country into a social and economic crisis.

Conclusion

This chapter has explored tax for development debates in both regional and Argentine contemporary development narratives and has shown how these tax debates can be contentious, and how they sit at the fault line of wider development debates. Questions about tax for development became more salient in the region post-thirties when Latin America's reliance on natural resource exports was highlighted through a downturn in demand. The attempts at shifting economies towards an inward-looking form of industrialisation held tax as important to discourage natural resource exports. However, the politics of these taxes was never really engaged with in these narratives, and in Argentina, taxing the most specialised export-led sector, meant taxing the interests of the influential rural sector. And as the characterisation of wealth in Argentina is in the countryside, this meant that the burden of tax for industrialisation would fall on a smaller pool of influential rural sector taxpayers who were responsible for Argentina's integration into global systems. Therefore, I have shown how that in the Argentine context, the tax for development debate cuts across the interests of the rural sector and shows how they can generate tension, especially when the utilisation of the revenues is a matter of deep contestation.

With the arrival of Juan Perón to the Argentine presidency in 1946, the redistribution of these revenues sat squarely within debates of tax for development with revenues extracted from the rural sector to support a growing popular sector with social justice and welfare. The redistribution from one sector to another by the state is enmeshed within debates about what role the state should take in the economy. In short, there were tensions over the vision and characterisation of the state, which were underpinned by the fact that Peronism was associated with heightened state intervention in the economy, which was used to ameliorate the living conditions of a growing industrial working class. Although exacerbated by Peronism, the politics and tension surrounding taxes continued throughout the various civilian and military administrations of the twentieth century, albeit at different levels.

Subsequent governments were unable to address these tax questions because of a number of interrelated factors that converged to present barriers to the legitimisation of export taxes, which in turn increased tensions. Amongst other factors, opposition to the export taxes was influenced by the fact that the taxes were negatively impacting upon the interests of the

producers, there was a deteriorating political influence of the rural sector and as a symptom of more profound disagreements about what national development should look like, which is illustrative of continued failures to build social consensus around the tax design. Politically, the tax aligned with an interventionalist state model which therefore generated conflict with those who opposed this characterisation. Taxes on wealth from the rural sector through exports had become politically contentious because they represented a fault line between characterisations of an interventionalist and non-interventionalist state. Furthermore, with the sector's profitability also dependant on external markets, fluctuating commodity prices meant that tax was not consistently levied across these periods and therefore, this tax was never fully legitimised and never fully accepted by the rural producers. In many instances, debt was used by governments to avoid the contentious process of extracting this tax and crucially it therefore remained unresolved.

By circumventing these questions, borrowing became a more important framework for funding Argentine state obligations, especially as agricultural commodity prices and export levels fluctuated so much. Therefore, development was funded by growing debt, which became more problematic towards the end of the nineties when it had reached such a level that it had become unsustainable. This led to the ensuing economic, social and political crisis which would create space to legitimise the taxes that had been so contentious previously. This point I shall explore in Chapter four when I introduce the period of emergency governance under President Duhalde and the first period of Kirchnerismo that followed the default when the utilisation of export taxes would be implemented in the context of emergency taxation which would support Argentina's crisis recovery and would represent temporary consensus over the previously contentious tax design.

4. Emergency Governance through Tax: A Response to Crisis (2001-2007)

Introduction

This chapter discusses the immediate aftermath of the 2001 crisis period and introduces the first period of Kirchnerismo with the presidency of Néstor Kirchner (2003-2007). It does so by exploring the raft of policies that were implemented by the Argentine government in response to the 2001 crisis; it highlights the role that emergency taxation had on both national revenue collection and as a catalyst to re-build Argentine state capacity. Moreover, it explains the temporary consensus that there was over tax, as one of these policies. By this I mean that the state capacity that was being built following the default — through emergency taxation — was around the vision of an interventionalist state. Although as highlighted in earlier chapters, this is a contentious and complex debate in Argentina, this time the tax design and state capacity building were accepted. Therefore, I argue that the crisis created the conditions for the government to gain a temporary consensus and garner temporary legitimacy around export taxes. This was extremely important as there was no possibility for the state to use debt to build out of the crisis. I am therefore arguing that in this post-crisis period there was a suspension of conflict around these taxes. The emergency environment created the necessary legislative and fiscal space to bridge the historical divide that existed between left-wing Peronist governments and organised actors in the rural sector. However, I argue that when the context of emergency fades, the sustainability of export taxes began to be questioned by actors in the rural sector as these taxes were seen to be funding a redistributive welfare programme. I demonstrate that this began to exacerbate this contentious relationship, once again — when commodity prices were high, and Argentina had returned to strong growth.

The post-crisis period sits squarely within wider political economy of development literatures on the Latin American pink tide. These literatures point out that a nexus of increased taxes from a commodity boom and strong international demand for these commodities was coupled with exceptional external finance conditions which pushed not only Argentine, but regional growth to its highest level for 40 years (Panizza, 2009; Grugel and Ruggirozzi, 2007; Bull, 2013; Ocampo, 2008; Nem Singh, 2014). However, the majority of literature in this period has engaged with the redistribution side of the pink tide and its effects on poverty reduction through increased employment, enhanced wages and strengthened welfare systems

(Leiva, 2008; Grugel and Ruggirozzi, 2009; 2012; Wylde 2012; Vergara-Camus and Kay, 2017; Grugel, Singh and Fontana, 2017). Although these literatures acknowledge that tax hikes underpinned increases in the redistribution of public resources, the collection of this tax is largely assumed. This chapter engages with the framework that was utilised post-2001 crisis in Argentina to collect these revenues and to govern through them.⁵⁰ In short, this chapter argues that emergency was the event which created a temporary consensus to implement extraordinary taxation but one which was fragile and before the end of the period, began to breakdown when the context of emergency began to fade.⁵¹

2001 Crisis and Emergency Response

In this section, I highlight the scale of the economic and social crisis that was facing Argentina following the 2001 debt default. I use this opening section to trace the policies that were implemented by the congressionally appointed emergency administration of Eduardo Duhalde (2002-2003) to show how questions of tax that had been so contentious and avoided under previous administrations were now being asked, in-part because there was now space to ask them, but also because debt options that had been utilised previously, were now not an option so tax became more important to funding the state.

The deteriorating economic environment in Argentina in the late-nineties meant that by 2000, capital in Argentina was scarce. One of the policies that was implemented to address this scarcity of currency was a freeze on all bank-held deposits named *El Corralito*, which was initiated on December 1st, 2001, by the Economy Minister, Domingo Cavallo. Whilst initially this resulted in social uprisings and mass civil unrest with citizens unable to access savings, the implementation had wider reaching implications for the value of the peso.⁵² The implementation of *El Corralito* rendered the Convertibility Plan untenable as its core tenet was the accessibility to exchange pesos to dollars freely at a rate of one-to-one (Feldstein, 2002).⁵³ This civil unrest that the deposit freeze engendered culminated on the 20th December when

⁵⁰ In some literature the crisis is referred to as the 2001-2002 crisis, due to the longevity of the economic and social repercussions. However, for this thesis, 2001 will be utilised, highlighting the year that Argentina defaulted on its sovereign debt.

⁵¹ Extraordinary taxation is defined as supplementary taxes that are introduced in addition to the traditional tax design that in emergency or extraordinary circumstances, would generate additional revenues, quickly (Cetrángolo and Gómez Sabaini, 2010).

⁵² *El Corralito* was to prevent a run on the banks understood here as a mass withdrawal of deposits.

⁵³ To give credibility to the 'Convertibility Plan' the government had to guarantee that for every peso in circulation, this would be backed by a dollar, or another hard currency at the Central Bank. The so-called Currency Board System (Feldstein 2002, p. 8).

President De la Rúa was forced to resign.⁵⁴ During December 2001, Argentina witnessed a series of extraordinary events. In the space of 15 days, Argentina saw ‘five presidents, the largest debt default the world had ever seen, the abandonment of the ten-year-old currency exchange regime which had formed the contractual basis for the whole Argentine economy since its inception in 1991 and the devaluation of the peso’ (Wylde 2012, p. 86). Furthermore, the 2001 crisis had a devastating effect on Argentine production and on the poverty index — which will be explored later in the chapter. Table 8 traces how GDP output was continually contracting from 1997 onwards until 2002 when economic output would contract by 10.9 percent showing the pattern of deterioration that had been evident for four consecutive years and the scale of the crisis in 2002.

Table 8: Argentine GDP (percent) (1996-2003)

1996	1997	1998	1999	2000	2001	2002	2003
5.53	8.11	3.85	-3.39	-0.79	-4.41	-10.89	8.84

Source: World Bank (2019)

The number of citizens that were classified as living in poverty increased abruptly following the debt default. This index rose from 28 percent in May 1998 to 38 percent by October 2001 until it reached 57.5 percent in early-2002 (INDEC, 2020). Inflation that was measured at four percent in 2001 rose to 41 percent in 2002 and unemployment reached 19.6 percent up from 17.3 percent in 2001 (ibid.). In response to these already problematic economic and social indicators that were exacerbated by the default and crisis, a raft of broad-sweeping macroeconomic policies was implemented by President Eduardo Duhalde who acceded to the presidency on 2nd January 2002 in an attempt to stimulate the Argentine economy towards recovery (Giraudy, 2007; Wylde, 2011). Amongst the policies was the termination of the ‘Convertibility Plan’ under which the peso had been pegged to the dollar as a measure to avoid the hyperinflation seen in both 1989 and in early-1990. There were three determining factors that Salvia (2015) argues are associated with the failure of the Convertibility Plan: an appreciation of the real exchange rate, a fall in prices of major agricultural exports and a reduction in the availability of international finance. It is argued that post-convertibility economic growth can be largely explained by the raft of policies implemented to overcome the rule of convertibility, given a favourable international environment (ibid., p.3), rising

⁵⁴ *El Argentinazo* as it was referred to by the Argentine left.

international commodity prices were a catalyst for this recovery. Therefore, one major policy within this raft of emergency measures was the devaluation of the peso to aid exporters by making the exports more competitive on the international market.

An increase in exports was all the more important in a period where international borrowing was not an option. As part of these emergency measures and seeking ways to recover state welfare capacities, President Duhalde turned towards tax. With increased exports, discussions on taxing these exports were again salient but this time because of the crisis, there would be less resistance and a level of temporary consensus around export taxes emerged. Furthermore, extraordinary taxes had already been attempted in the run-up to the debt default by Minister Cavallo. Taxes on bank transactions had been implemented when debt was rising and options to borrow had diminished (De la Torre, Yeyati and Schmukler, 2002). Therefore, tax reforms remained one of the only options to raise state revenue in the lead up to the 2001 default.

Tax Rises as a Response to a Particular Crisis: Financial Transactions

In this section I discuss the attempts at emergency governance to meet the challenges of the crisis. I do it to highlight some of the mechanisms that were implemented under the rationale of emergency. Furthermore, I show that questions of tax for development returned to the fore. Prior to the default, there had already been an attempt at ‘emergency’ tax reform. However, due to the deteriorating economic situation, tax had to be levied over a sector where there was capacity, in short, where there was available tax to be collected. As such, Minister Cavallo targeted the Banking Sector through the implementation of a Financial Transaction Tax, *Ley de Competividad*, (Law No. 25413) — in the context of an emergency tax (Cetrángolo and Gómez Sabaini, 2010; Rossignolo, 2016). This tax was first levied in March 2001, at a level of 0.25 percent tax which was later increased to 0.60 percent and which targeted transactions on current accounts, debits and credits. The tax was attractive for two reasons; it was difficult to evade as banks would withhold the amount at source and it would provide the treasury with an immediate and daily source of revenue (Fairfield, 2015).

This law was not a tax on deposits or on interest and therefore, as the burden would fall on bank customers, there was no real resistance from the banks during the implementation of the law (ibid.). It was envisaged that this tax would create a level of collection equivalent to two percent of GDP, it transpired that the collection reached a level of one percent of GDP or \$2,933m in the nine months from the law being enacted, until the time of the default in

December (Ministerio de Hacienda, 2021). This tax on financial transitions would be normalised by future administrations and continue under the subsequent administrations of Eduardo Duhalde, Néstor Kirchner, Cristina Fernández de Kirchner and Mauricio Macri (2015-2019). Cavallo had put in place a system for taxation on financial transactions which was generally accepted by the banking sector as they were viewed as an ancillary tax, which would not be as damaging as a tax on their deposits and on their accumulated interest (Fairfield, 2015). Table 9 demonstrates the growth in the financial transactions tax from its inception as an emergency measure in 2001, to a normalised tax design thereafter. This emergency tax became embedded within the normal tax design, one which grew continuously — following the devaluation in 2002.

Table 9: Financial Transaction Tax Burden Growth (in million \$ARS and \$USD)⁵⁵

Date	2001	2002	2003	2004	2005	2006	2007
Revenue \$ARS	2,933.10	4,857.30	5,900.20	7,681.90	9,434.30	11,685.70	15,065.00
Revenue \$USD	2,904.35	1,514.12	1,999.73	2,611.11	3,227.60	3,801.46	4,834.72

Source: Ministerio de Hacienda (2021)

In the context of the financial crisis facing Argentina in 2002, raising the equivalent to one percent of GDP through an emergency financial transaction tax would not be sufficient to meet state expenditures without access to borrowing. However, the exceptional circumstances which Argentina found itself, both economically and socially, created the necessary environment for extraordinary policy measures to be implemented. To meet the crisis' challenges, the Duhalde administration had been bestowed emergency legislative powers by the Argentine Congress to bypass the checks and balances that characterised the normal legislative process to implement policies, quickly and unchallenged.

Emergency Superpowers and the DNU

There were two pathways which President Duhalde could enact these emergency policies. First, the continuation of emergency 'superpowers' which were earlier granted by Congress between March and December 2001, to try and reduce budgetary constraints in times of crisis (Becerra and Mastrini, 2010; Frers, 2017; Clarín, 2010). These were emergency powers that were

⁵⁵ The exchange rates from \$ARS to \$USD are calculated utilising the annual average exchange rate and are offered in \$USD to show the actual fall in the level of tax collected at international prices following the devaluation of the peso and the collapse of the Convertibility Plan in 2002.

granted through Congress, to deal with the deepening economic situation which meant that the executive could alter budgetary constraints at will to address the crisis situation without seeking congressional approval. It was an emergency power for an emergency situation that Congress bestowed on the emergency administration. Second, President Duhalde had another legislative tool through which he could also implement policies – the implementation of an executive urgency decree.

Enshrined in article 99 of the Argentine constitution since 1994, the Necessity and Urgency Decree *Decreto de Necesidad y Urgencia (DNU)* gave the president(s) powers to enact decrees that were underpinned by the force of law and would come into effect immediately.⁵⁶ These decrees would need to be ratified by Congress within two years of being promulgated — in reality, non-rejection was understood to signify ratification (Manzetti, 2014). However, during this period, the DNUs had the effect of creating new, or modified laws in extreme circumstances by bypassing Congress when it is deemed that the general process of creating laws through Congress was not viable.⁵⁷ In this sense, I want to highlight here that the president had capacity to implement emergency orders through two pathways: the ‘superpowers’ and the use of DNU’s. One of these emergency orders implemented by President Duhalde was the reimposition of taxes over the rural producers’ exports.

Emergency Export Rights: Tax Rises in Response to a Particular Crisis

Decree 310/02 was published on 14th February 2002 and established a tax on the sales value of major agro-export crops, including: soy and derivatives, sunflower seeds and derivatives, wheat and corn. To begin with, the government imposed these at a rate of 10 percent tax on this basket of agrarian products, operationally, the taxes were collected from export companies who passed on the burden to producers through depressed purchasing prices (Kosacoff, 2007; Fairfield, 2015). However, aside from the tension that these taxes have generated between governments and the rural sector previously, they are also controversial because they can

⁵⁶ Although the decree was enshrined in the constitution in its present form in 1994, before this, decrees were still utilised in constitutional governance. In 1985, Raúl Alfonsín utilised decree 1096/85 to shift the national currency from the Peso to the Austral (Dalponte, 2009).

⁵⁷ DNUs had been used prior to 1994 and had become popular with Menem post-1989 and were instrumental in the implementation of market reform policies associated with his time in office. President Menem issued 545 decrees during his administration, 54.5 annually. In response to the emergency situation post-crisis, this number increased nearly three-fold to 158 annually for President Duhalde (Manzetti, 2014). However, to address the abuse of this governance tool, Congress introduced several amendments to the constitution to regulate its adoption through bipartisan agreement (Manzetti, 2014, p. 179). Where this became problematic and would highlight structural weaknesses was when the executive office also had control of Congress, in this case, there was a total lack of enforcement of any limits and constraints.

adversely affect production through both, the distortion of domestic prices and the suppression of domestic demand. This argument was a salient one during the period of fieldwork and it was highlighted that producers increase domestic prices to offset the depressed purchase prices from export firms, ultimately the domestic consumer will shoulder the tax burden (interview Gómez Sabaini, 2019; interview Artana, 2019; interview Fiorito, 2019a). Therefore, it is domestic consumers who pay the final price of the export taxes as the cost of the tax is passed on to the producer who sells domestically at an inflated price to recoup international losses. For that reason, they are not widely utilised in developed economies — constitutionally, they are prohibited in the U.S. (Congress of the United States, 2021).

However, opposing this view, Richardson (2009) argues that export taxes work in times of emergency because they insulate the domestic market from changes in the external sector. Therefore, by driving a ‘wedge between domestic and international prices, export taxes mitigate the inflationary pressures caused by rising export prices, whether resulting from currency devaluation or from exogenous factors’ (Richardson 2009, p. 241). In this sense they have capacity to shield Argentina from some of the inflationary pressures that contributed to the earlier debt default. Furthermore, they represent a pathway to circumvent some of the limitations of the problems of low tax collection, by offering a relatively easier route to tax collection — this is a point I shall pick up in more detail in the following section. Furthermore, the argument for exports taxes is supported by the perspective that they are a good tax for emergency situations because of how quickly they can be implemented. Whilst the utilisation of export taxes had previously been contentious because of deep-rooted political cleavages surrounding Peronism and its class warfare with the rural sector, this time, in this emergency context, labelling the tax design as solely political and conflictual fails to take into account perspectives of a state in crisis and weak state capacity to collect taxes. Export tax collection does not need complex infrastructures in place. Moreover, as this tax design had been utilised previously, the collection of these export taxes could be operationalised through existing frameworks. Therefore, this presented an easier mechanism to fund the state’s obligations in times of crisis. A former President of the National Foreign Trade Commission highlighted that:

Export withholdings are easy to collect and as they are collected at the point of export [in the ports] they represent a tax that helps in the fight against tax evasion. They are difficult to evade. And, with the price of agricultural commodities increasing and as the system was already in place to collect the tax, understandably there were many in government in favour of it (interview, Bertoni, 2019a).

Whilst there are arguments against export taxes, they are viewed as a practical tool by some governments as they are quick and comparatively easy to collect and do not require the robust framework that would be required for the collection of income taxation. Furthermore, which is a point that I shall draw out in greater detail in pages 113 and 114, they have a progressive benefit when governments are not only trying to collect tax but are actively trying to discourage exports to protect domestic prices.

Temporary Consensus and Suspension of Partisanship: High Tax Logic

This shift in tax design would set the bedrock for a fiscal policy which would be utilised throughout subsequent administrations. The level of tax on agro-export crops was quickly augmented by President Duhalde during 2002 and the policy was expanded to incorporate export taxes on a larger basket of commodities. Major export rights were applied in March 2002 and then increased, in some cases by between 10-15 percent by April 2002, which covered some of the major primary Argentine commodity exports (Kosacoff, 2007). However, what was different this time is that on the whole, the imposition of taxes over the sector was not challenged as strongly as previously. There was currently space for change through a ‘post-crisis consensus’, a consensus that was sustained by several factors, including that the crisis situation gave legitimacy to increasing taxes and as borrowing was not an option there was a logic around increasing taxes. Furthermore, commodity prices were high, which, along with the currency devaluation, gave space to implement the taxes.⁵⁸ Therefore, as pointed out by an interviewee at CEPAL, the level and utilisation of extraordinary taxation was generally accepted by producers in the rural sector as a necessary response from the state to collect revenues at a time of emergency (interview CEPAL A, 2019). In this sense, emergency taxation enabled the state to build legitimacy in the midst of crisis because it allowed the government to respond to immediate social needs. In an interview with the Chief Economist at the thinktank; Latin American Economic Research Foundation (*Fundación de Investigaciones Económicas Latinoamericanas (FIEL)*) he highlighted that:

⁵⁸ The devaluation and the imposition of export taxes differentiated Argentina from other Latin American states where in many cases there were existing rent extraction mechanisms in place including royalties and state-owned enterprises where the state could easily extract surplus profits.

In the situation where over 57 percent of the population was classified as living in poverty and with unemployment at a level of 25 percent, the space to introduce taxes that were thought of as inordinate and unsustainable before, was dramatically increased (interview Artana, 2019).⁵⁹

And, further underpinning this position in another interview with a tax expert: ‘These changes were initiated in response to emergency and because of the ‘economic landscape, on the whole, they were accepted as such’ (interview Gómez Sabaini, 2019a). Cetrángolo and Gómez Sabaini (2010, p. 23-24) argue that this emergency tax measure responds to the federal government’s need to engage the peso’s extraordinary devaluation that occurred after the crisis and that the increase in the tax burden is driven by increases that arise from temporary taxes — export duties and banking transactions. However, actors in the rural sector did voice some opposition to the implementation of taxes as a ‘concept’ surrounding the taxes, particularly because President Duhalde had promised not to raise taxes in January 2002, but ultimately the scheme was accepted as being a *necessary* but temporary measure. Furthermore, the Treasury Secretary *Secretario de Hacienda de la Nación Argentina* at the time Oscar Lamberto (Jan – April 2002), acknowledged that in his opinion, export taxes were a ‘bad tax’ but were needed to help with the fiscal deficit [-two percent]. At the same time, an FAA representative conceded that even ‘if the sector can’t get the country out of the crisis alone’, sacrifices were needed (RN, 2002; Anon, 2002). However in a recent interview, the former Economy Minister Jorge Remes Lenicov (Jan – April 2002), commented that prior to the implementation of the export taxes, an SRA representative approached him voluntarily to offer five percent of its export revenues to the government, demonstrating an awareness of the crisis situation from the landed elites’ association (Perochena, Rodríguez Rey and Judzik 2020). Whilst Minister Lenicov recounts this period indicating [through laughter] that the government would be asking for much more, it demonstrates that the crisis had given temporary legitimacy to the export taxes in the eyes of the oldest producers’ association. What this tax was ‘purchasing’ for the producers was the rebuilding of the Argentine state following debt default, which bestowed temporary legitimacy upon the tax design for the producers. Emergency had substituted the earlier conflict and bargaining that had been present around the taxes.

Post-crisis, the extraordinary taxation attributed to a growing tax burden and when this was coupled with reductions in spending, it led to significant improvements in the state of the

⁵⁹ The Argentine population was 37.47 million in 2001 (The World Bank, 2001).

Argentine public accounts. Through extraordinary taxation, the characterisation of fiscal design post-crisis was dramatically different to tax design in the lead-up to the crisis (Cetrángolo and Gómez Sabaini, 2010). In conjunction with this change in characterisation of fiscal design towards a framework built on extraordinary taxation, was the simultaneous reduction in government spending. In 2002, this improvement was underpinned by a decrease in spending as a percentage of GDP in proportion to revenue growth. There was an immediate drop in government spending that was seen post-crisis, that was equivalent to 3.3 percent of GDP. Spending cuts primarily were attributed to the reduction in the real value of public sector wages, pension payments and debt interests (*ibid.*, p. 9).⁶⁰ These austerity spending measures coupled with an increased growth of tax revenues, set in course a framework which would deliver the highest tax burden in Argentina's history (at that point), of 25.6 percent of GDP by 2004 (OECD, 2017). The government of President Duhalde had managed to put into place measures that helped return Argentina to growth, had raised tax collection — over an influential sector —, and had reduced spending which translated into a fiscal surplus. This surplus would be important and was a salient factor which would underpin social spending and the creation of an augmented welfare state — through enhanced state intervention into the economy — when the Argentine electorate returned Néstor Kirchner as President in May 2003.

The First Kirchnerismo: A Return of the Peronist Left

In this section I demonstrate how, with the election of Néstor Kirchner there was both a return of left-wing Peronsim and a deepening of the characterisation of an interventionist state in Argentina. However, I argue that although there was a deepening of this type of state, there was still temporary legitimacy for it because this was still understood as an emergency government, what Wylde (2012) calls President Kirchner's post-crisis regime. Moreover, I will demonstrate how some of the wider tax policies that were implemented by President Kirchner would feed directly into the clash of interests between the rural sector and the government, which were over and above the tensions surrounding the export taxes.

Kirchnerismo began in 2003 when Néstor Kirchner became President Duhalde's choice to represent the PJ and to challenge Carlos Menem's re-election bid in the 2003 elections.⁶¹ He

⁶⁰ The reduction in the real value of wages and pensions was a direct result of the depreciation of the exchange rate when the convertibility was abandoned.

⁶¹ Duhalde negotiated with Carlos Reutemann, José Manuel de la Sota, Mauricio Macri, Adolfo Rodríguez Saá, Felipe Solá and Roberto Lavagna prior to choosing Néstor Kirchner as the candidate to repel the challenge of ex-president, Carlos Menem (Levitsky and Murillo, 2003).

stood as candidate for the Front for Victory *Frente para la Victoria (FPV)*, a centre-left faction of the PJ. Néstor Kirchner was elected with only 22.2 percent of the vote share after Carlos Menem withdrew following the first round of voting.⁶² Whilst ex-President Menem had represented a more conservative side of the PJ through his adoption of wide-reaching neoliberal reforms, Néstor Kirchner was elected on a mandate that championed economic nationalism and a state-led development model, a return to interventionism (Manzetti, 2014). Although under Menem the PJ had shifted away from being solely a labour-orientated party (Levitsky, 2003a), the FPV's victory demonstrated the ideologically flexible appeal of the Peronist brand (Calvo and Murillo, 2012). Under President Menem, there had been changes within the PJ itself, changes that had broadened the party's appeal, which meant that the middle classes and independent voters in metropolitan areas took on a level of importance, alongside the working classes.⁶³ Therefore, during the presidency of Menem, these two voter groups were represented by choices within the same party showing the breadth of political ideology within the PJ. 'Never has the broad church appeal and the breadth of political ideology within the PJ, been so evident as [the choice] between Menem and Kirchner' (interview Fiorito, 2019a). The winning percentage represented the lowest vote share for any president in Argentine democratic election history, one which did not afford the new president a strong mandate to implement policy changes, nor did the Néstor Kirchner have control of Congress when he assumed the office of President of the Republic (Ministerio del Interior, 2003). However, President Kirchner had space to maintain the redistributive agenda because of the continuation of emergency governance which meant that the extraordinary taxes which remained levied over the rural sector were still not challenged. There remained a temporary legitimacy and suspension of hostilities around export taxes which continued into President Kirchner's mandate.

The Consolidation of the Redistributive 'Emergency' State

In this section I show how the redistribution of revenues during the first Kirchnerismo was underpinned by an increase in the overall tax burden that was in turn made possible by the continuation of emergency tax collection, even when the state of emergency had been left

⁶² Menem was returned with a majority in the first round of voting with 24.5 percent of the vote. However, he withdrew following a deterioration in his public image.

⁶³ The turn towards a neoliberal state was not enough to instigate an exodus of support from the PJ by the working-classes, for reasons of continued voting for Peronist identities (Ostiguy, 2000), and because of support for an initially recovering economy (Gervasoni, 1998). However, clientelism was another salient factor and more explicitly, the consolidation of clientelist linkages, which also helped the PJ maintain its support from low-income working classes without the influence of powerful unions (Auyero, 2000; Levitsky, 2003b).

behind. Table 10 traces the increased tax burdens and summarises the clear position that Argentina was taxing much more than it had at the time of the default. The Argentine tax burden increased from 18.4 percent in 2002 to 26.4 percent by 2006. And the emergency tax burden grew from 1.2 percent in 2001 to 4.7 percent by 2006. This helped finance the FPV's redistributive agenda and the evolution of public spending is highlighted in Figure 4 where the upwards trajectory of public spending can be clearly seen increasing from 24.4 percent of GDP in 2002 to 30.4 percent of GDP by 2007 — when the president's term ended (Ministerio de Hacienda, 2021).

These emergency taxes that represented 4.4 percent of GDP were driving the fiscal surplus which as Figure 4 demonstrates, reached 2.4 percent at its peak in 2004. President Kirchner could pursue a continuation of social redistribution because there was the fiscal capacity to do this, emergency taxes had created fiscal space to continue an interventionist state model. Following his assumption to the presidency in May 2003, President Kirchner maintained this emergency discourse, highlighting the fact that the state needed to recover lost capacities and become 'an active economic actor'— promoting public investment, domestic consumption, and the growth of industry, employment and salaries — whilst rejecting neoliberal austerity and dependence on foreign debt (Levitsky and Murillo, 2008; Kirchner, 2003).

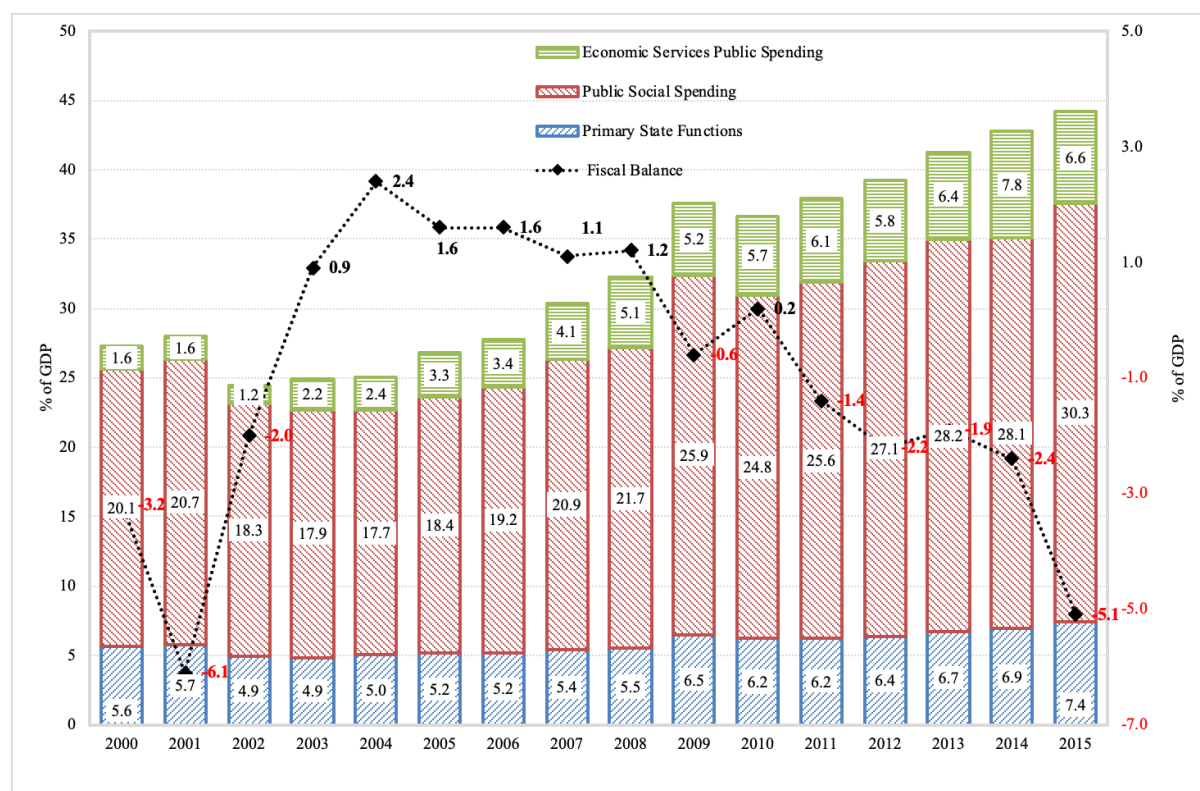
Table 10: Key Economic and Social Indicators (2001-2008)

	2001	2002	2003	2004	2005	2006	2007	2008
GDP (USD) (1999 = 100) Source: World Bank	95	34	45	58	70	82	101	128
GDP growth increase (%) Source: World Bank	-4.4	-10.89	8.84	9.03	8.85	8.05	9.01	4.06
Poverty rate Urban Conglomerates (% population) Source: INDEC	38.3	57.5	47.8	40.2	33.8	26.9	20.6	15.3
Inflation (%) Source: INDEC	4.0	41.0	13.4	6.1	12.3	9.8	8.5	7.2
Unemployment (%) Source: ILO	17.3	19.6	15.4	13.5	11.5	10.1	8.5	7.8
Current Account Balance (% of GDP) Source: World Bank	-1.4	9.0	6.4	2.0	2.7	2.8	2.1	1.5
Fiscal Account Balance (% of GDP) Source: CEIC, OECD	-6.1	-2.0	0.9	2.4	1.6	1.6	1.1	1.2
Total Tax Revenue (ARSm) (1999 = 100) *	97	108	155	256	322	322	428	578
Total Tax burden (% of GDP) Source: OECD	19.3	18.4	21.6	24.3	24.5	25.1	26.4	27.6
Emergency Tax burden (% of GDP) *	1.2	4.1	4.5	4.4	4.5	4.4	4.7	5.7
Emergency Tax (% of total tax revenue) *	6.4	22.2	21.0	18.3	18.2	17.6	17.8	20.6
Export Tax (% of total tax revenue) *	0.2	12.6	12.8	10.5	10.3	9.8	10.3	13.4

* Source: *Ministerio de Economía de la República Argentina*

Note: *INDEC was intervened in 2007*

Figure 4: Government Spending and Fiscal balance (2000-2015)



Source: Ministerio de Hacienda (2020). Graph by M Barlow and A Peña.

This perspective was further reinforced three months later, when the president made a rare appearance at the headquarters of the SRA, the president and his ministers acknowledged that the export tax design was a necessary measure to finance social assistance programmes but ‘not a state policy that had arrived to stay’, recognising that it affected the profits of a sector coming out of a long period of high costs and low prices (Varise, 2003).⁶⁴ When presented through the context of emergency, this tax emergency logic was, on the whole accepted by members of the association, however, with certain caveats: the SRA’s President, Luciano Miguens (2002-2008), indicated that export taxes were only justifiable if they addressed ‘exceptional Argentine problems’, such as hunger, although warned against viewing the sector as an economic lifeguard because there was an economic advantage to exploit (LA NACION, 2003), whilst in 2004, the leader of the CRA highlighted that although they conceptually opposed export taxes, removing them was ‘impossible’ given the serious problems still faced

⁶⁴ From this period President Kirchner would set a trend which would be continued during his administration and his wife’s, missing the opening ceremony of the SRA, until then commonly attended by the president and high officials.

by the country (Infobae, 2004). This again highlights that the context in which the export taxes had legitimacy in the eyes of rural actors was emergency. However, there were other factors which came into play that strengthened the validity of the tax design (to begin with) and re-enforced the legitimacy that the crisis had bestowed upon them. Export tax collection was strengthened by the fact that President Kirchner neither increased the taxes (see Table 11) during the first half of his mandate, nor deepened the programme of redistribution. Kirchnerist governance to begin with was not increasing challenges against the interests of rural sector actors, there was more compromise than conflict.

Table 11: Evolution of the level of Export Taxes (2002-2007)

Date	01/03/2002	01/04/2002	01/07/2005	01/03/2006	01/01/2007	01/11/2007
Sunflower Seeds	13.5%	23.5%	23.5%	23.5%	23.5%	32%
Soybeans	13.5%	23.5%	23.5%	23.5%	27.5%	35%
Corn	10%	20%	20%	20%	20%	25%
Wheat	10%	20%	20%	20%	20%	28%
Beef	5%	5%	5%	15%	15%	15%

(Kosacoff, 2007)

Although the government continued the emergency policies implemented by President Duhalde, on the whole, they were not expanded — with overall government spending virtually stagnant until 2006 as highlighted in Figure 4. Redistribution under President Kirchner was not as holistic as under Peronism. Grugel and Riggiorozzi (2007) argue that one of the differences between [early] Kirchnerist rule and Peronism was the nature of the link between citizenship and social welfare. Where Perón provided social protection and political patronage for the working classes as a whole, [Néstor’s] Kirchnerismo represented more a neoliberal safety net style of social welfare with a more targeted provision — seen through the running down of *Plan Jefes y Jefas* and the implementation of more targeted [smaller] *Planes Familias* and *Planes Trabajar* in its place (Wylde 2012, p.110). Which meant that it was not as progressive as targeting a whole class and therefore, less contentious. This was favoured particularly where wider distribution could engage the government in conflict with influential sectors. This is a point that Panizza (2005) also highlights within the context of the wider left turn in Latin America, where he argues that policies during the pink tide were less radically *left*, in many cases, they were less conflictual because they only sought to ‘bend and mould’ the existing political institutions and free-market economic models rather than attempting radical political

and economic reforms. With this in mind, a perspective that also came to the fore during fieldwork was that because President Kirchner was elected with a weak mandate which acted as a barrier in the pursuit of a deeper interventionist state model. The former head of the Argentine Financial Information Unit (*Unidad de Información Financiera (UIF)*) and former Director General of the Argentine Customs Tax Agency *Dirección General de Aduanas, DGA* highlighted that the mandate of Néstor Kirchner directly affected the ‘conflicts’ that he would engage with. He explained:

Néstor [Kirchner] continued with the export taxes as these had been implemented already under Duhalde; he was a president with little power. He needed to concentrate on debt restructuring and not engaging with the powerful Agricultural Cereal Cooperatives, he didn’t have the power to do this. Néstor had to be more of a negotiator (interview Sbatella, 2019).

Furthermore, according to a Professor of Economics at UCEMA, he highlighted that ‘Néstor [Kirchner] was not as progressive with redistribution policies before he gained control of Congress in 2005’ (interview Streb, 2019). Unpacking this comment further highlights that there was a perspective that state spending and redistribution increased following the 2005 legislative gains because of the political space to do so — a point I shall engage with in more detail later in this chapter.⁶⁵ However, what is evident is that there was a hike in public spending — especially in public social care which had dropped slightly in 2004 — clearly laid out in Figure 4, post-2005 after the FPV took control of Congress.⁶⁶ What all of this means is that in the early part of his presidency, Néstor Kirchner did not push the rural sector any further, so the government did not increase negative impacts on their interests. Furthermore, the producers were benefiting from the currency devaluation which aided exports. So, for now, there was a relative peace surrounding the tax design. However, the warning from the SRA’s President that the taxes were only justified in emergency situations, shows that the sector was not there to be exploited, and this point became all the more salient with the increasing international prices of soybeans.

⁶⁵ There were 127 seats that were up for election in the Chamber of Deputies, out of these, the FPV won 69 seats (54 percent) with the PJ obtaining a further 11 seats (9 percent). The FPV claimed 17 of the 24 Senate seats up for election with other Peronist parties claiming 4 during the 2005 mid-term elections (Ministerio del Interior, 2005).

⁶⁶ Investment targeted towards infrastructure and housing which saw a gargantuan increase of 30 percent in 2007— the election year.

Soybean and Beef Exports: A different Tax Logic

Growth in Argentina was underpinned, in-part, by high international market prices of the Argentine main agro-export, soybean — and its derivatives. In 2003, the price of a ton of soybean exceeded \$USD300 and increase of 50 percent on 2002 prices.⁶⁷ The price then continued its upwards trajectory to surpass \$USD400 per ton by 2008 (Bianchi and Szpak, 2017). Driven by Chinese demand for soy and high international market prices, Argentina witnessed a diversification in the composition of its agriculture matrix (Richardson, 2009). Space where traditional crops (wheat, sunflower and maize) were previously cultivated, was now being replaced throughout the countryside by the more profitable soybean (interview Bertoni, 2019a; interview Rodriguez, 2019). Cultivation and production of soybean inordinately expanded, and exportation levels increased in-line with production. During the period 2003-2007, Argentina witnessed augmented exports of: soybeans 8.7 million tons (mt) – 11.8mt, soybean meal, 18.5mt – 26mt, soybean oil, 4.2mt – 6.4mt (Richardson 2009, p.8). In line with these increased exports. The soybean value chain was an important actor within the agro-export industry, one which through growing prices was very important to President Kirchner. The soy sector estimated that it contributed an average of 7.3 percent of the Argentine total fiscal collection during the years of the first Kirchner administration. Relevantly, soy has a certain ‘distributive’ benefit, as while important within the Argentine export matrix it has no domestic market in Argentina, so its domestic price is not affected by the imposition of export taxes (ibid.), which should represent a tax that is more acceptable in a domestic context. However, because of a lack of domestic market, taxes on their export can only serve to increase government revenue. The tax on soy was driving collection of revenues which was fuelling redistribution.

However, not all export tax impositions followed the same logic. The level of export tax that was levied over some agro-exporting sub-sectors was modified during the first Kirchnerismo for asymmetrical reasons. In November 2005, export rights on beef were levied at 15 percent, this was augmented from a level of five percent earlier that year. However, the initiation of this tax reform was not instigated with the same rationale as one to both augment state collection revenues, this fiscal policy was a reactionary state-led initiative intended to manipulate domestic market prices of beef through targeted price control measures. In 2005, beef prices were responding to excess international beef demand including from Russia and

⁶⁷ Post-crisis, in 2002, soybean prices were \$USD200 per ton (Bianchi and Szpak, 2017).

Chile (with other traditional suppliers suffering from the effects of mad cow disease) and also increased domestic demand, through an improvement in the level of real wages (Rossini, Arancibia and Guiguet, 2017).

The tax hike on beef exports had been implemented following the failure of earlier policies to curb growing prices. March the following year, an initial ban of 180 days on all exports of beef was implemented through a DNU.⁶⁸ As beef is a key element in the family consumption basket, protecting the price of this commodity aligns with the core values of the Peronist party through measures protecting the interests of the working class and low-income workers. Historically, beef and wheat were the primary consumption goods of urban workers (Richardson, 2009). Here tax reform under President Kirchner is utilised in a different way, as it ameliorates against the growing price of a key Argentine commodity. It also represents the first occasion that the president intervened in the export taxes and therefore the first time that the president directly affected the interests of the producers through taxes, whilst improving those of the working classes. This simultaneously shored-up the president's core political support and enhanced his government's political space to govern. This political space is important and becomes more salient when this governments needs to permeate not only into society at a federal level but also at provincial and municipal level.

The Consolidation of Emergency Powers

In this section I am going to show how the government of Néstor Kirchner consolidated its use of emergency powers which would pit the government against some of the influential provincial governors who represent the interests of the influential rural sector. In 2005, a groundswell of support for the government underpinned by a growing economy that was coupled with continued weak opposition meant that the FPV swept to legislative congressional victories in 2005.⁶⁹ This was a key shift in the presidency of Néstor Kirchner as legislators now aligned to the FPV controlled Congress, which in some circles was viewed as a factor more important than the president's electoral win in 2003, as he now legitimately controlled the

⁶⁸ This was modified so that only beef that was surplus to the demands of the domestic market should be exported. This initiative led to a reduction in Argentina's market share from being the third largest global exporter in 2005 at 775,000 tons to 11th position in 2014 at 197,000 tons (Rossini, Arancibia and Guiguet, 2017).

⁶⁹ The PJ had held a majority in congress from 2003-2005. However, most legislators belonged to the centrist and centre-right Peronist factions and had no ties of loyalty to the Kirchners (Manzetti 2014, p. 178).

legislative arm of Argentine government (interview Streb, 2019). The consolidation of emergency governance policies that were normalised by Néstor Kirchner was made possible by an FPV controlled Congress and also through the growing utilisation of presidential decree.⁷⁰ This circumvention of Congress not only bypassed the legislative checks and balances that were in place, but it also avoided costly — both in perspectives of revenue and time — debates. Increasing export taxes through the utilisation of DNUs constrained the ability of the affected sectors to defend their interests and saved the Kirchner government the expense of buying legislative support (Richardson, 2009). Through the process of enacting a presidential decree, the opportunity for any opposing debate in Congress was nullified. This led Levitsky and Murillo (2008) to argue that Néstor Kirchner governed at the margins of Congress and other institutions of horizontal accountability.⁷¹ Néstor Kirchner had legitimate control of Congress and whilst retaining the executive power which had been bestowed on the executive office by Congress as a reactionary measure to the crisis, it meant that the president had legislative space to implement policies (ibid., p.19). What all of this means is that whilst Néstor Kirchner was consolidating and governing through emergency powers, this would become more contentious to political opposition and the sectors over whom this circumvented power was negatively impacting, it was increasing political tensions, and the legitimacy of the policies called into question. This tension started building when the executive power of Néstor Kirchner became further concentrated in the argument surrounding a reduction in the reallocation of export tax revenues at a provincial level.

Federalism and Extraordinary Taxation contributing to Political conflict

Although Argentina is a federal state, the president has substantial powers over the provinces because of their power over discretionary distribution of funds (Rose-Ackerman, Desierto and Volosin, 2011). These powers are consolidated further when emergency powers, arising from poor economic conditions, affect the funding mechanism which underpin the redistribution of revenues from central government to the provinces. The framework under which the collection of fiscal revenue is re-distributed to the provinces began its first iteration in 1935, with the *Evolución de los coeficientes legales de distribución primaria*. With the passing of laws:

⁷⁰ Even though Néstor Kirchner had this enhanced legislative space in congress, he still showed a preference for utilisation of presidential decree through his mandate. During the first *Kirchnerismo*, 249 DNUs were utilised for policy implementation over 176 legislative bills (Manzetti, 2014).

⁷¹ Where agents of accountability are limited to those of the state (Kenney, 2003).

12.139, 12.143 and 12.147, the mechanism for the redistribution of collected tax was created.⁷² The system of redistribution was developed and revised in the fifties which would last until 1973. Included in these modifications were additional smaller taxes that would become subsumed into the tax basket and three mechanisms for distribution, all of which were underpinned by a notion of reimbursement.

The Federal Government would reimburse those jurisdictions in-line with how they had contributed towards national fiscal collection, those which contributed more, would receive more — inevitably the provinces with the largest populations (Cetrángolo, Jiménez and Vega, 1998). In 1973, the three original laws were amalgamated into one law: *Régimen Federal de Coparticipación*, (Law N. 20221) was passed with salient characteristics. Enshrined into law, the first of these characteristics — and the most salient for Néstor Kirchner's emergency governance — stated that all national revenues would be subject to redistribution apart from those taxes arising from foreign trade and those which have been levied for a specific reason (ibid., p. 298). Here a framework of redistribution from federal government to the provinces was created which could omit revenues from foreign trade and from taxes that are levied for the ambiguous rationale of 'specific reason'. Through this omission emerges a level of ambiguity through which the executive could withhold tax redistribution to the provinces.

The law was modified once more in 1984, in response to shortfalls in pensions funds and the deteriorating general macroeconomic environment which Latin American countries were enduring at this time (Bulmer-Thomas, 1995), and then again in 1988. The 1988 law (N. 23.548) modification included changes to the transitory level of funds between the nation and province.⁷³ However, both modifications instigated in the eighties to *Coparticipación* did not alter or repeal the exemption of taxes on exports — the majority of which were agricultural primary products — from the redistribution mechanism. To that degree, *Coparticipación* remained unaltered and further underpinned the importance of taxes levied on exports to the national Argentine economy. Revenues derived from the exportation of agricultural goods have contributed towards financing the Argentine state at different levels throughout Argentine history. Owing to the fact that these revenues are, in accordance with the constitution, not shared with the provinces, they bring quick relief to the central government accounts in times

⁷² Other supplementary tax laws were created on both sales and yields following the passing of these laws.

⁷³ 42.34 percent was retained by the National Government. 54.66 percent was to be distributed between the provinces. A further two percent was retained between the Provinces of Buenos Aires, Chubut, Neuquén and Santa Cruz, with 1 percent destined for the National Treasury Contribution Fund to the Provinces *el Fondo de Aportes del Tesoro Nacional a las provincias*.

of emergency (Cetrángolo and Gómez Sabaini 2010, p.29). However, by doing so, they create tension between central government and provincial leaders.

The National Constitution, article 75, subsection two, clearly defines federal and provincial tax powers by stating that indirect taxes, with the exception of import and export fees which are exclusively federal are shared by both levels of government. However, direct taxes fall exclusively under the auspices of the provinces, but the federal government is not precluded from levying direct taxes during a limited term and on condition that national security and defence requires this (ibid., p. 9). It was through this constitutional loophole that Néstor Kirchner was further able to consolidate emergency fiscal powers vis-à-vis the provinces. The nature of direct taxation on exports and the *Coparticipación* laws meant tax income would not have to be shared with the provinces.

Aside from the revenue that is redistributed to the provinces from government, the provinces have autonomous collection capacity over four main taxes: real estate tax *impuesto inmobiliario*, gross income tax *impuestos sobre los ingresos brutos*, stamp tax *impuestos a los sellos* and automobile tax *impuesto a los automotores* (Argañaraz et al., 2019). These tax receipts cover, on average 40 percent of the provinces' expenditure with the remaining 60 percent financed through federal government transfers and provincial debt (Cetrángolo and Gómez Sabaini, 2010). The imposition of export taxes under Néstor Kirchner coincided with a centralising shift in the distribution of fiscal resources (Richardson, 2009). The level of fiscal receipts that were maintained by the government between 2001-2006, increased during this period by 5.4 percent, up to 57.8 percent; whilst transfers to the provinces fell to 23.1 percent (ibid., p. 38). In short, emergency taxation was controlled by the government and was becoming a major political tool.

This framework, whereby the national tax burden increased but transfers to the provinces diminished, meant that any enhanced tax collection was retained by the government and not re-distributed between the provinces. As the provinces rely on federal subsidies; those who manage the subsidies, in turn hold a great deal of power and influence over the province (Manzetti, 2014). Furthermore, as legislators elected to Congress are nominated by provincial governors, when the FPV obtained control of Congress in 2005, the mandate that was given to Néstor Kirchner was strong, one which gave the president and the FPV opportunity to pursue an interventionist state agenda now that the legislative space was there to do so. What all of this means is that tax for development was important to President Kirchner, but it was beginning to become problematic for the provinces (and provincial leaders) because the collection was centralised with the federal government and not with sub-national government

at the provincial level. Therefore, this presents an issue of federal inequality or perceived unfairness at federal level when some of the provinces were being heavily taxed because they were agricultural provinces, but they were receiving less transfers from an elevated level of collection. All of which can feed into a sense of perceived unfairness but with the FPV's control of Congress, there were few institutionalised mechanisms to object to this. However, even with the enhanced legislative and fiscal space, a number of challenges remained regarding the collection of emergency taxes. Tax evasion which is endemic throughout Latin America is a problem in Argentina that could erode any progress made (Bergman, 2015), and because policies implemented to address this would reignite tax debates, they had the possibility of becoming politically polarising. Furthermore, the legitimacy of taxing exports would become more difficult when Argentina was leaving the emergency context behind.

Challenges to Tax: Informality and Taxing for an Interventionalist State

In this section I highlight some of the challenges that would present limitations to funding a redistributive agenda through the context of policies generated during an economic emergency. Firstly I present one of the great challenges to the efficacy of tax collection in Argentina which is the high level of tax evasion (Bergman, 2003), and then the mechanism implemented to try and address this, which itself was politically polarising. Following this, I demonstrate that there was a gradual re-building of opposition from the rural sector towards the taxes because of the return to growth and a deepening of the utilisation of emergency export taxes for building an interventionalist state and not for emergency response.

Export Taxes, a Pathway to Reduce Evasion?

Tax evasion is a problem in Argentina.⁷⁴ It reduces fiscal capacity and increases financial pressures on the state to collect revenues through other means or to consolidate taxes on those sectors where they can collect. By reducing the amount of taxes collected by the state, evasion reduces the available fiscal space, giving the state fewer resources to carry out its customary functions of fiscal policy: stabilisation, provision of public goods and income redistribution (Gómez Sabaini and Jiménez 2012, p. 38). The informal labour market is an area where vast levels of revenue remain uncollected by the state. During the mandate of Néstor Kirchner, the

⁷⁴ And in the wider Latin American region.

level of estimated income tax evasion — both corporate and personal income — was extensive. In 2005, the estimated evasion rate was as high as 49.7 percent (Gómez Sabaini and Jiménez, 2012) equivalent to \$ARS13,983m (Ministerio de Hacienda, 2005). The following year, CEPAL published VAT evasion estimations, whilst not as high as the level of evasion in income taxation, they estimated that a $\frac{1}{5}$ of all VAT remained un-collected \$ARS9,986m (Ministerio de Hacienda, 2006). The level of direct tax (wealth) and indirect tax (value added) that remained uncollected is not an issue confined to the Argentine Republic. Table 12 demonstrates that it is an issue throughout the wider region. Whilst Argentina collects more VAT than the majority of other Latin American countries included in the survey, it is only surpassed in levels of income tax evasion by Ecuador (63.8 percent) and Guatemala (63.7 percent).⁷⁵

Table 12: Comparison of rates of VAT and Income Tax Evasion (Percentages)

Countries	Value Added Tax		Income Tax	
	Estimated Evasion Value	Year	Estimated Evasion Value	Year
Argentina	21.2	2006	49.7	2005
Bolivia (Plurinational State of)	29	2004		
Chile	11	2005	47.4	2003
Costa Rica	28.7	2002		
Colombia	23.5	2006		
Ecuador	21.2	2001	63.8	2005
El Salvador	27.8	2006	45.3	2005
Guatemala	27.5	2006	63.7	2006
Mexico	20	2006	41.6	2004
Nicaragua	38.1	2006		
Panama	33.8	2006		
Peru	37.7		48.5	2006
Dominican Republic	31.2	2006		
Uruguay	26.3	2006		

(Gómez Sabaini and Jiménez, 2012)

⁷⁵ Although some key country data are missing from the table, informality of tax as a whole in Brazil has been estimated through other studies as high as 40 percent and in 2005-2006 an estimated \$R225.00b was attributed to lost revenue collection through evasion (Clemente and Lirio, 2017). Therefore, highlighting the scale of the problem generally throughout Latin America and the Spanish Caribbean.

Therefore, when tax became the primary pathway to fund state spending post-crisis, heterogenous design to reduce the level of informality was needed. The utilisation of extraordinary export taxation not only had the effect of a mechanism that could collect state revenues quickly, but there were also supplementary benefits evident to a tax design that is built around revenues from export rights. One of these benefits was its effect on reducing the space for tax evasion. Whilst highlighted earlier in the chapter that export withholdings are a relatively easy and quick tax to collect, they also have the effect of being a relatively difficult tax to evade. The tax is applied on the level of commodity that passes through customs and the goods are taxed accordingly, and at source (interview Bertoni, 2019a; interview Rodriguez, 2019). To export any resources from official ports would incur tax at the prevailing level. Therefore, as goods need to pass through ports, there are less opportunities to evade taxes. However, reducing opportunities to evade it would not fully eradicate this. In an effort to reduce the amount of tax that needed to be paid by passing through the ports, evasive methods were utilised by some producers in an attempt to mediate against the imposed taxation. Methods of export tax evasion are argued to include producers loading additional levels of commodities at unofficial ports or mis-representing the level of commodity within the cargo.

Coercion and deals struck between port officials and producers were also methods that the DGA, had to contend with (interview Bertoni, 2019a). Although the former director of the DGA highlighted that there were probably successful attempts to bypass the collection mechanisms for export taxes, what was generally understood is that the majority of tax was collected during the early part of the presidency of Néstor Kirchner. This is due to both the effect that this had on the overall increase in the tax burden and the fact that under the extraordinary tax measures, rural producers through exporters were more willing to contribute especially whilst the international price of soybeans was on the ascendency (interview Sbatella, 2019). However, it was not only through export tax design that represented a way to reduce the level of overall tax evasion. A self-assessment regime that was inaugurated under the Menem presidency would grow in popularity and scope under Néstor Kirchner but would be challenged as a political move aimed at supporting the working-classes and therefore would become contentious.

The Monotributo: A Pathway to Reduce Evasion or Crystallise Political Support?

First introduced in October 1998, the *Monotributo*, (Law N. 25865) is a tax regime designed to bring more eligible taxpayers out of informality and into the formalised tax system (Stang,

2019). It is a mechanism to try and tackle the large-scale tax evasion that authors have argued is so pervasive in both Argentina and throughout the wider region (Bergman, 2003, 2019). The system was designed for small taxpayers *pequeños contribuyentes* and is subject to a simplification in the way tax is collected. This regime replaces income tax and VAT with a single fixed amount monthly tax, with an additional contribution to Social Security and Health Insurance (Rossignolo 2016, p. 10). In this regime, a single tax payment is calculated solely on an income bracket and no further rules are assigned to the assessment of income and deductions for dependents are applied (ibid., p.10).⁷⁶ The system created a pathway for low earning citizens to pay into the system in order to receive state pensions during retirement. Therefore, it sought to offer a bridge from the informal to the formal economy and thus, to provide an income for workers in later life who currently would otherwise receive no state support. Crucially for Néstor Kirchner, the number of taxpayers increased drastically during his presidency. In the months following its inception, there were 330,000 people enrolled onto the system. This level of enrolment increased throughout the presidency of Néstor Kirchner, by 2006, the level of taxpayers had increased to 1.873.798 (Salim and D'angela, 2006). This increased even further by the time Cristina Fernández de Kirchner became president in December 2007 with 2.200.000 citizens recorded as taxpayers (Stang, 2019).

It became an additional pathway that the government encouraged when other income tax revenues were weak. The design was conceived as a way to modernise the tax system and to increase state collections. However, it was challenged as a political tool and one which both offered support for the lowest paid — which were the core supporters of the FPV. And, as taxpayers selected the bracket in which they should be located and there are no further rules governing this afterwards, it opened up a pathway to validate tax evasion (interview Gómez Sabaini, 2019b). Taxpayers could pay within the minimum tax bracket when earning much more than they declare and contributing less than what they would on the previous self-employed system *el regimen general de autónomos*. This number of participants within the system increased each year under President Kirchner and by 2006, '*Monotributistas*' contributed \$ARS868m to the Treasury (Ministerio de Hacienda, 2006). The *Monotributo* was also an opportunity to align with the narrative on which Néstor Kirchner had first been elected and to show support for the low paid working classes a point that a tax expert highlighted:

⁷⁶ There are 11 income brackets in the *Monotributo* (Stang, 2019).

Through *Monotributo* taxpayers paid what they could afford, those who can pay, in theory; should. Those that can't, don't. Through the regime, the space for taxpayers to choose what they can afford is introduced along with a pathway to legalise evasion. Which overall damages tax collection (interview Gómez Sabaini, 2019b).

The *Monotributo* had the benefits of creating a mechanism that would bring people into the formalised tax system, the benefits of which are opportunities for increased state revenue collection but crucially from a broader tax base, which would address some of the highlighted tax legitimacy challenges in Chapter two. However, although the *Monotributo* was designed to bridge informality between income tax evasion and the formalised tax system, the self-appraisal framework was criticised by some tax experts as it presented pathways for evasion and becomes a pathway whereby the state loses revenue from potential taxpayers and because the benefits of the regime vastly outweigh the payments, once taxpayers are *Monotributistas*, they remain entrenched in the system, albeit, paying less.⁷⁷ *Monotributo* became an important fiscal tool within the tax basket of Néstor Kirchner, it was initiated at a time when the national deficit was growing and the government needed to increase the tax base. Through its design, it brought more citizens into the formalised tax system whilst giving autonomy to the lowest paid whereby people decided what they could afford. Whilst technically an administrative measure which was instigated by the AFIP it accompanied the emergency tax measures pursued by Néstor Kirchner's government through a measure to tackle evasion which would erode any increased tax receipts (interview Gómez Sabaini, 2019a). What all of this means is that the support for the working-classes is evident through this system, which was argued from an administrative point of view to actually weaken tax collection, and therefore was viewed sceptically by some in the AFIP (interviews with AFIP-A, 2019; Gómez Sabaini, 2019b; Cetrángolo, 2019). However, it was not only the value of the *Monotributo* tax design that was being questioned, the rationale of the export taxes began to be questioned by the final year of President Kirchner's mandate. The consensus between the rural sector and the government which had previously been built around emergency, would start to show signs of fragility when the context of tax hikes changed.

⁷⁷ Under the *Monotributo* a service provider that would bill \$ARS 96,000 per month would pay a fixed contribution of \$ARS 4,604. Whereby if the worker was enrolled on the original self-employed tax system, *régimen general de autónomos* they would pay circa \$ARS 11,500 per month — based on having 2 dependent children and deductible expenses equivalent to 20 percent of the invoice. Pension contributions for the *Monotributo* would be 961.32, whilst on the *régimen general de autónomos*, this would rise to \$ARS 2,703.66 — retirement payments increase annually for *Monotributo* but quarterly for those not part of the system (Stang, 2019).

Tax for an Interventionalist State

Since coming to power in 2003, the level of the majority of export taxes on commodities had remained the same — aside from the hikes on beef. The Kirchner government announced two export tax rises in January and November 2007, increasing the rate for soybean by 12.5 percent and for sunflower and wheat around eight percent — Table 11 (Kosacoff, 2007). However, the context in which these tax rises were implemented represented a shift from the emergency rationale that underpinned the tax implementation in 2002. Table 10, highlights the strong growth that the country had achieved 2003-2007 where the country had surpassed its pre-crisis GDP levels, whilst the key indicators of poverty and unemployment levels substantially reduced — unemployment had dropped by half and poverty just under half (Bergman and Gray, 2007; Kosacoff, 2007). Moreover, debt-restructuring had lowered the burden of interest payments — from 22 percent of the fiscal intake in 2001 to nine percent in 2007 — and the government had enjoyed several years of ‘twin surpluses’ in both its fiscal and current accounts, allowing the constant expansion of public spending (see Figure 4), which grew 25 percent in GDP terms since 2002 – with major increases in subsidies to energy and transport, education and science, and social assistance programmes, amongst others (File, 2008).⁷⁸ Prior to the latest tax rises, emergency taxes accounted for 17.6 percent of the total tax take, and the recovery of the economy had reinforced the government’s fiscal position — although it had not widened the tax base —, which resulted in an increasing tax burden which reached 25.1 percent in 2006.

However, this time the context had changed. The government no longer justified the tax increases as one of emergency response, but this time highlighted ‘problems of growth’ and the effects of inflation, which had been 12.5 percent in 2005 and by early 2007 had accelerated to a 20 percent annualised rate – albeit the national statistics agency, INDEC had reported 8.5 percent but the institution was subject to widespread accusations of government intervention from 2007— which I shall engage with further in Chapter five (Gerchunoff and Kacef, 2016). Government officials, including Chief of the Cabinet Alberto Fernández (2003-2008) and the Economy Minister Miguel Peirano (July – Dec 2007), therefore declared that the tax rises did not pursue a fiscal goal but were rather needed to mediate the effect of rising international prices over the purchasing power of citizens, while also underlining the intent ‘to

⁷⁸ Energy and fuel-related spending grew 350 percent in this period, while transport increased 200 percent.

preserve adequate levels of profitability’ in the rural sector — in short they were needed to keep the price of the consumption basket at a level that citizens could afford it (Cufre, 2007; EFE, 2007) .

Arbitrating long-term domestic prices for the working classes was one that had not been agreed upon outside of the emergency context. Here the justification from the government was no longer one that emergency or short-term but a longer-term redistributive vision. The government did not have legitimacy to tax for this and it instigated opposition from rural and political opposition actors, who considered that the export taxes were ‘confiscatory’ which were required to fund the redistributive agenda of the government. Indeed, much of the rise in public spending, including cash transfer programmes, transport and energy subsidies, housing projects, additional rises in salaries – with real wages estimated to have increased around 70 percent since 2002 — benefited the governments’ support base (interview Gómez Sabaini, 2019a; Richardson, 2009; Etchemendy and Collier, 2007). Elisa Carrió, presidential challenger from the Civic Coalition ARI, *Coalición Cívica ARI* and leading opposition figure claimed the government was trying to finance its ‘fiscal disorder’, because of a lack of foreign investment and external finance options (Perfil, 2007a; Página 12, 2007). The SRA’s perspective was that the government was following short-term interests rather than the long-term promotion of production and investment, arguing that some producers within the sector were in trouble due to the export taxes (Perfil, 2007b), whilst the CRA and FAA not only advocated for minor protests but considered their legal options due to the impact the increase would have on smaller producers, with lower productivity and tighter margins (interview Bertoni, 2019a; Cufre, 2007).⁷⁹ In this sense, both the government and the rural sector acknowledged the changing status of export taxes. As observed by Dborckin and Feldman (2008, p.234), and as highlighted in Table 10 and Figure 4, by 2007 the contribution of emergency taxes (4.7 percent of GDP) was higher than the fiscal surplus. This meant that the fiscal contract between the state and the rural sector could no longer be assumed as temporary, making export taxes a fundamental pillar in the long-term viability of the government’s economic model.⁸⁰ What all of this means is that the taxes that had been accepted as an emergency measure had changed rationale and were becoming more contentious whilst representing an important funding stream for an interventionist government.

⁷⁹ As export taxes were determined by price and not by earning, smaller producers and those located in less fertile provides faced a higher fiscal burden and higher tax per hectare (Rodríguez and Arceo 2006).

⁸⁰ Bonvecchi and Giraudy (2007) indicate that the public sector would actually been in deficit already in 2007 if it were not for the contributions of emergency taxes and transfers from the recently reformed pension system.

Conclusion

This chapter has analysed the emergency fiscal policies that were implemented in the immediate aftermath of the 2001 crisis. Questions of tax for development became more important as options to borrow for development reduced. It has argued that emergency taxation was utilised by the administration of President Duhalde as a pathway to finance state requirements — when other revenue streams had been withdrawn. Furthermore, the chapter has demonstrated that an amelioration of the general macroeconomic climate post-crisis could, in part, be attributed to the enhanced tax burden, the majority of this additional burden was drawn was from the implementation of extraordinary taxes, including on exports. The chapter has also argued the perspective that although the utilisation of export withholdings has historically been politically contentious and an area that has caused tension, the dire state of social and economic indicators, post-crisis, meant that there was a temporary consensus around these taxes, emergency had bestowed legitimacy on them in the eyes of the rural producers. This in turn led to a continuation of the emergency tax design under President Kirchner, a design which by and large remained uncontested for three years as it was deemed as a necessary response to emergency and because the interests of the sector were not detrimentally affected any further between 2003 and early-2007.

The nexus of socio-political and economic factors that was prevalent in Argentina post-crisis, afforded the president enhanced legislative space to govern through emergency policies in a post-crisis regime. Firstly, through the utilisation of DNUs to bypass checks and balances that would normally be the preserve of Congress and then the FPV's sweeping legislative victories in 2005, created an environment whereby Congress granted the president 'superpowers' over budgetary allocations. This enhanced legislative space underpinned by enhanced fiscal capacity would create the space for the continuation of a redistributive agenda that is associated with an interventionist state. Furthermore, as emergency powers had ensured that the revenues that were collected from export taxes would remain solely for the use of the Federal government, and these would not be shared with the provinces through the redistribution mechanism of *Coparticipación*, this provided the government with autonomy over these taxes further consolidating fiscal and legislative space for emergency governance. Whilst it had control of Congress, the government was consolidating power in the executive which was increasing tensions.

However, the chapter has introduced and engaged with some of the challenges and limitations that negatively impacted emergency governance through extraordinary tax use, tax evasion and informality have been identified as a risk to the continuation of this. Informality within the labour market leading to lost tax collection is a problem for the state both in Argentina and in the wider Latin America region. The continuation and augmentation of the *Monotributo* as a conceptual bridge between informality and the formal tax sector was a way of mediating the corrosive effects of tax evasion whilst providing a level of autonomy to the lowest paid workers to pay what they could afford for tax to allow them to enter the formal tax system, a policy that was contentious and that drew criticism from tax experts and government opponents. Whilst the policy did generate a modest increase in tax collection, it is politically polarising as it benefitted the working classes more than any other societal group.

Furthermore, it has introduced the fact that towards the end of the first period of Kirchnerismo, there were signs that the temporary consensus that had been present around the utilisation of export taxes was becoming more fragile as the context of emergency faded. Whilst Argentina was growing at a faster rate than other countries in the region, unemployment and poverty indices had nearly halved and President Kirchner's government had maintained a fiscal surplus throughout his presidency, then paradoxically to increase the tax burden over the rural sector was seen in a different light, one of confiscatory because of the beginning of a growth cycle in soybeans. Here, the legitimacy around taxes for emergency was called into question when it was being utilised to support the core supporters of the FPV through policies to control domestic prices of basic food items and to support welfare projects. It demonstrated that with a change in rationale, the government did not have the support of the rural producers' associations and the legitimacy to tax the rural sector was not granted to redistribute in support of the working classes but to rebuild following the financial crisis. The following chapter will move chronologically to the next period of Kirchnerismo and the first mandate of Cristina Fernández de Kirchner. It will demonstrate how this tension grew further when the taxes were raised outside of an emergency context and the temporary consensus that had been built between the government and the rural producers crumbled.

5. Losing Legitimacy to Tax: Contested State Visions and Increasing Polarisation (2008-2011)

Introduction

This chapter tells the story of a seminal moment in both emergency taxation in Argentina and of growing opposition to Kirchnerist governance. The fragile consensus around export taxes that had been evident since the 2001 crisis came to an abrupt end with the eruption of rural and urban protests and a lockout of Buenos Aires. These actions were instigated as the government sought to increase the level of emergency taxes that were levied over the producers, which in turn, generated a strong sectoral response. The chapter argues that opposition to this policy was so strong that it enabled associations within a normally fragmented sector to bridge traditional differences and come together to instigate a cohesive response. This rural revolt and subsequent rejection of the tax rise, I argue, pinpoints a key moment in the political economy of Kirchnerismo, one that would weaken the government's capacity to extract revenues from the rural sector thereafter.

I argue that further tax increases were rejected because of two prevailing factors, first, the underpinning rationale of export taxes was changed and second, because the government lacked the capacity to push this policy further because it had lost legitimacy after 2008. Legitimacy to tax the producers was lost when it became evidence that, rather than responding to a national emergency, the government was utilising tax revenue to build capacity for longer-term interventions in the economy. Therefore, the compliance around emergency export taxes that had been evident post-crisis, was abruptly lost when taxes were increased outside of an emergency context. In short, I highlight that the government had legitimacy to tax the producers for emergency response but not to fund its vision of redistributive state. The rural revolt I will demonstrate was the moment that allowed polarisation to quickly re-build and when this was coupled with signs of deteriorating economic slowdown, challenges started mounting for the government towards the end of this period (2008-2011). The chapter is structured in two parts; the first deals with the fall-out from an increase in the level of export taxes that was the catalyst for a very public loss of government legitimacy to tax exports. The focus of the chapter shifts in the second part to highlight a growing period of polarisation around government policies and the search for additional government funding streams through different taxation and

income-generating mechanisms, including the re-nationalisation of pensions and the implementation of money laundering laws.

Transition of Power and Capacity for Long Term Intervention

This section deals briefly with the handover and transition of power that occurred in late-2007 between President Kirchner and Fernández de Kirchner to demonstrate the high-level of support that the outgoing President Kirchner had built whilst showing that the incoming President Fernández de Kirchner, had been elected with a strong mandate — securing victory without the need for a run-off. What all of this means is that during this period, the Kirchners enjoyed widespread support for their model of redistributive governance. For now, the capacity for the government to pursue this model of state was underpinned by strong macroeconomic indicators — which formed the bedrock for this redistributive model both economically and politically. Whilst macroeconomic indicators were strong, the statist model of development engendered significant popularity. When the economic situation worsened, however, the statist model came under increasing scrutiny.

The first period of Kirchnerist rule (2003-2007), closed with Néstor Kirchner leaving office as the most popular president in modern Argentine history with approval ratings above 50 percent (Bergman and Gray, 2007; Levitsky and Victoria Murillo, 2008). As highlighted earlier, underpinning this popularity was favourable macroeconomic indicators that had been prevalent in the post-crisis period: GDP (current USD) had grown from \$97.72b in 2002 to \$287.53b in 2007 (The World Bank, 2021b), unemployment was down from 41.0 percent in 2002 to 8.5 percent in 2007, real wages had increased dramatically (as discussed in Chapter four) and poverty was reduced from a high of 47.8 percent recorded in the crisis aftermath in 2002, to 20.6 percent by 2007 (INDEC, 2020).⁸¹ Furthermore, the successful completion of debt negotiations which had ameliorated the government's fiscal position, was also an attributing factor to the popularity of the outgoing president.⁸² However, after presiding over four years of export-led consistent growth — rooted in a competitive exchange rate and soaring commodity prices (Etchemendy and Collier, 2007) — Néstor Kirchner did not seek re-

⁸¹ By 2007, the Argentine GDP (USD current value) surpassed its pre-crisis 2001 value of \$USD268.95b (World Bank, 2021).

⁸² The debt 'haircut' that was negotiated represented 30% of the defaulted debt amount in 2001. A majority of creditors agreed to lose 70 cents in the dollar (Seager, 2005).

election.⁸³ Instead the transition from the first to second period of Kirchnerismo occurred with Cristina Fernández de Kirchner — a well know public figure — assuming the candidacy of the FPV. President Fernández de Kirchner was elected with a landslide victory in October 2007. Cristina Kirchner captured 45 percent of the vote beating her closest rival Elisa Carrió of the Civic Coalition ARI (23 percent) and the outgoing president's former Finance Minister and the UCR candidate, Roberto Lavagna (17 percent) (Ministerio del Interior, 2007).

Signs of Economic Deterioration

During this period in which President Fernández de Kirchner was elected emphatically there were already signs that the strong economic indicators that had supported a redistributive programme so far, were starting to weaken. A factor that would become fiscally problematic as the president's economic and fiscal policies become more expansive. The Argentine economic landscape was changing and there were growing indicators of problems that would beset the next president, which in turn would affect the space available to govern. In a point of departure from the previous administration where Néstor Kirchner assumed power with a both a growing economy and fiscal surplus, when Cristina Kirchner assumed the presidency, although Argentina was officially posting a fiscal surplus, this level was following a different trajectory from the one in 2003, now, this was falling, and it was being further eroded by growing inflation.⁸⁴ By the time that power was handed over to President Fernández de Kirchner, the fiscal surplus which had created the space for Néstor Kirchner to continue the emergency programme of subsidies was now showing signs of stagnation and contraction. The fiscal surplus that reached 2.4 percent of GDP in 2004 — as shown in Figure 4 (see Chapter four) —, would enter negative territory between 2008-2009, showing the scale of the changing macroeconomic environment in Argentina during this period (Thomas and Cachanosky, 2016).

The fall in the fiscal balance was not only attributed to increases in the programme of public spending, but in part it was attributed to the growing level of inflation that was impacting upon the cost of redistribution. Inflation presents political, along with economic challenges everywhere (Rose-Ackerman, 2005; Bebczuk, 2005). In the aftermath of the 2001 crisis, inflation reached a level of 41.0 percent (INDEC, 2019). Although, this rate reduced sharply

⁸³ Widely cited speculations in the media include health reasons, the impending energy crisis or as a way to circumvent the restriction on the number of consecutive mandates that could be served.

⁸⁴ Inflation has historically affected the Argentine economy, with an annual average of 22.85 percent in the sixties, 138.93 percent in the seventies, 565.70 percent in the eighties and 252.92 percent in the nineties (The World Bank, 2019).

to a low of 6.1 percent by 2004, it had started to creep upwards again which would ultimately present a challenge to the redistribution of revenues, and the continuation of an interventionist state model. Furthermore, along with the level of inflation itself, the validity of the inflation (and other indicators) data would start to become both contentious and political. From 2007 onwards, there were widespread accusations of government intervention into the INDEC. The institution that is responsible for all official statistics in Argentina was embroiled in accusations of data manipulation after 2007. These accusations were levied at the government for alleged institutional intervention into the INDEC for political reasons. Although I shall engage with this in greater detail in Chapters six and seven, it is important to highlight here that there was a sense amongst the economic establishment both in Argentina and internationally, that from around 2007, the figures had been subject to government intervention through an underestimation in the published official level of inflation (Cavallo, Cruces and Perez-Truglia, 2016; Gerchunoff and Kacef, 2016).

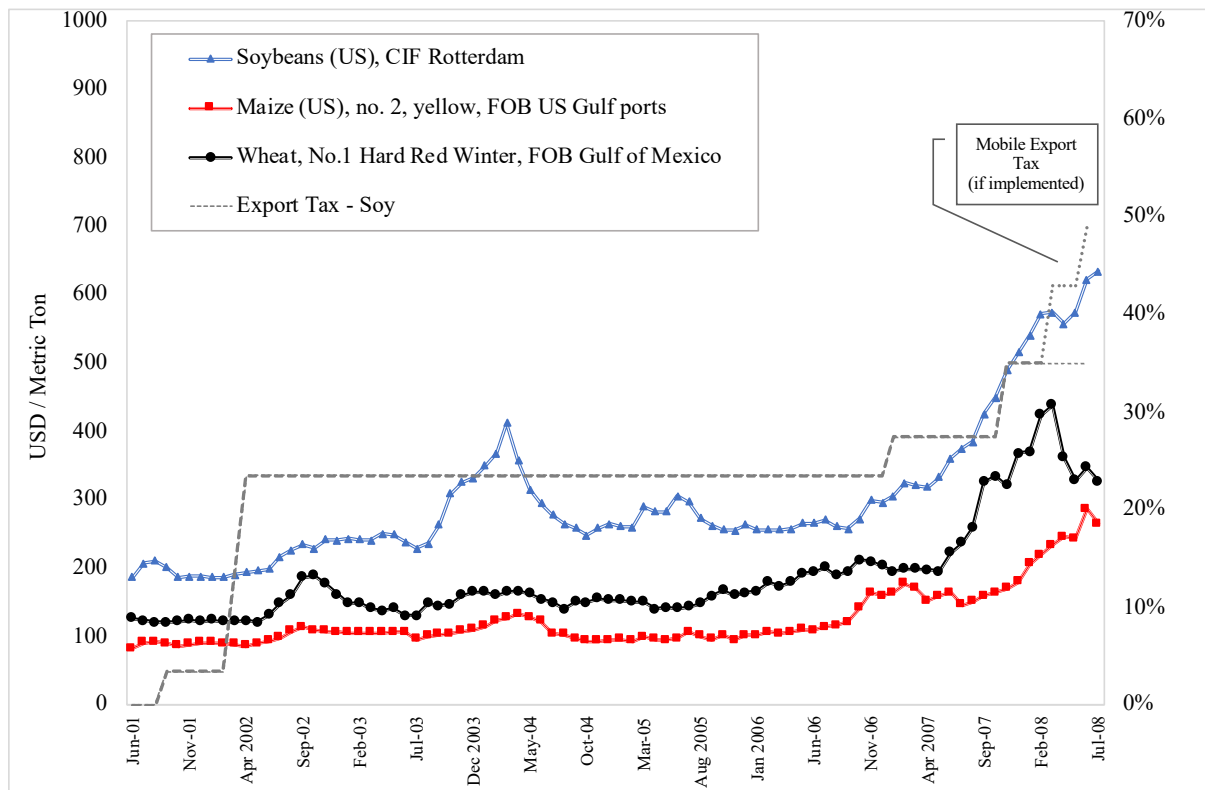
What all of this was pointing towards was the fact that for the first time under Kirchnerismo there was a slow rising level of political conflict due to the worsening economic environment, which spilled over into political differences. Interviews conducted with key figures from this era reveal that institutional intervention was viewed as politically motivated. A former Secretary of Public Revenue argued that ‘the government started to massage the inflation and poverty figures in an attempt to deceive the electorate’ (interview Cetrángolo, 2019; interview Gómez Sabaini, 2019a). According to Gómez Sabaini (2019), the government sought to enable the perception of a ‘better’ performing economy that would also reduce bond payment that were indexed to inflation. Whilst the rate was contested post-2007, the trajectory of inflationary growth since 2004, was not. Higher rates of inflation, a diminishing fiscal surplus and the global financial slowdown 2007/08 affecting export levels produced a different economic environment for President Fernández de Kirchner, which would translate into reduced fiscal space for the continuation of the Kirchnerist statist model. However, with the price of some of Argentina’s major exporting commodities on the increase, the government increased the tax levy over the rural producers in a move that would challenge the legitimacy of the government to tax exports. This policy was a catalyst for contention which would in turn create a bedrock for tax policy for the remainder of Kirchnerismo.

Fiscal Reform and Contested Visions of the State

This section argues that a change in the collection mechanism of export tax design generated increasing resistance and paradoxically weakened the autonomy of the incoming administration to collect export tax revenues. I will show that although the president was elected with a strong mandate, she did not have the political support of the producers to push through tax changes. I argue that tax became part of a different vision when the underpinning rationale for the tax design shifted from a temporary one geared at emergency response, to a more durable one aimed at supporting the interventionist and redistributive project of Kirchnerismo. Now, the statist model was rejected by actors in the rural sector. Moreover, the level of opposition was such that it enabled a historically fragmented sector to coalesce around its opposition to the tax hike to mount a coherent response to the government. Through this rejection, I demonstrate that the legitimacy of the taxes was eroded, and this represented a fault line where the capacity of the state to collect taxes diminished thereafter. Although the physical protests concluded during this period, the hegemonic way that the tax was implemented changed the fiscal contract between government and producers and damaged the fragile tax consensus thereafter. To show this, I engage with the 2008 conflict between the government and the rural sector which ended with a U-turn in a major tax policy area that marked a shift in public popularity of the new president and her government.

Tax questions came to the fore when a major change to the way that export tax was levied over agricultural commodities was implemented shortly after Cristina Kirchner took office, one which would be a catalyst for one of the most polemic and defining episodes of Kirchnerismo. Resolution N. 125 (*Resolución 125/2008*) came into effect on 15 March 2008 and the reaction to this would challenge the governments capacity to collect these taxes because importantly, this tax hike coincided with strong growth in the international prices of some of Argentina's key commodity exports, see Figure 5.

Figure 5: Commodity Prices and Soybean Tax Levels (June 01- July 08)



Source: World Bank Commodity Price Data (2020). Graph by M Barlow and A Peña.

To accompany this strong growth in commodity prices, Resolution N. 125 levied a variable tax rate that would become known as mobile withholdings (*retenciones móviles*) over some of these commodities. This resolution was instigated by the newly appointed Minister for Finance, Martín Lousteau (10th Dec 2007 – 24th April 2008). It was implemented through the utilisation of a DNU, therefore bypassing the Argentine legislative process. The resolution was initially targeted at two commodities, soy and sunflower. At the time of implementation it would have imposed an export tax at the rate of 44 percent on soy and 41 percent on sunflower at its peak (CEPAL, 2014; Regúnaga and Tejada Rodriguez, 2015). This mobile level would therefore, have transcended the level of export taxes that had been applied under the previous Kirchner government, which, because of the two tax hikes that had been implemented in 2007, had reached a level of 35 percent for soy and 32 percent for sunflower respectively (Kosacoff, 2007). This resolution enforced a variable tax system that was aligned to the international price of the commodities and the export tax would increase or decrease proportional to those

international prices – see Table 13. In short, it was a progressive tax mechanism and the tax levied would increase when the price of the commodity increased, this would in turn augment the amount of tax revenue that was available to be collected. However, should prices fall, then the amount of export tax applied to the commodities would fall proportionately with this. Table 14 demonstrates the level of export tax that the producers would have been liable for under the newly implemented tax regime, if the regime would have been implemented. However, because of the tension that it generated, in the end, it was not implemented.

Table 13: Resolution N.125 and the Tax Bands

Price Range (\$USD/tn)		VB (\$USD)	AM (%)	VC (\$USD)
More than	To			
0	200	0	20	0
200	300	40	32	200
300	400	72	48	300
400	600	120	79	400
600	>	278	95	600

Source: Ministerio de la Economía (2021)

Table 14: Evolution of Agricultural Export Taxes (2002-2015)

Date	Mar-02	Apr-02	Jan-07	Nov-07	Mar-2008*	2008-2015
Sunflower	13.5%	23.5%		32%	41%	32%
Soybean	13.5%	23.5%	27.5%	35%	44%	35%
Corn	10%	20%		25%	27%	25%
Wheat	10%	20%		28%	28%	28%

Source: InfoLeg (2021)

* *Approximated rate if mobile scheme would have been implemented*

The implementation of Resolution N. 125 was particularly contentious and initiated a strong sectoral response. The logic utilised by Minister Lousteau for the implementation of this resolution was that these taxes had been levied to achieve ‘a better equilibrium within agrarian activity, a greater decoupling of international and domestic prices [...] while guaranteeing domestic supply at reasonable prices for Argentine families’, while underlining their

importance in sustaining a developmental model based on low energy prices and a high and competitive exchange rate that also benefited the rural sector (Lousteau, 2008) — an argument the president would soon use to highlight the contribution towards foreign reserves generated by rural exports (Fernández, 2008).⁸⁵ However, it would set in process a period of conflict between the government and actors in the rural sector that would bring into question the legitimacy of the tax and the capacity of the state to collect the export taxes. The response to the tax hike which would have augmented both soy and sunflower taxes by nine percent with this new resolution, but which represented a hike of 16.5 percent in 15 months for the former and 17.5 percent for the latter was instantaneous and enabled the formerly fragmented sector to reply with a cohesive response, which I will detail ahead. Moreover, what this resolution did was to reignite tensions between the Peronists and the rural producers, that laid bare historic tensions that was so polarising that the argument and the response in Argentina was famously denominated by a journalist, Jorge Lanata (and widely known thereafter) as *'la grieta'* (the crack) (Smink, 2015). The consensus and compliance that had been evident up to this point had been there because of emergency response and now that the context of taxes was changing, this fed into the argument of rent appropriation by Peronist governments from the rural sector and its commodity exports.

It was a tax policy that exacerbated the political cleavages around Peronism that existed between the working classes and the rural sector. Politically, these export taxes sat squarely within that debate and whilst achieving popular support from urban working classes — as the main recipients of export-led redistributive (Richardson, 2009) —, it would be challenged by the rural producers. Therefore, whilst popular with the government supporters, a CEPAL official highlighted that there was a high-level of mistrust that remained within the rural sector about a Peronist government. They argued that ‘simultaneous Peronist policies of wealth redistribution targeted at the wealth of landowning elites, made Peronism more hated in that group, than Stalin’ (interview CEPAL A, 2019). This level of conflict was one that the president sought to highlight, in support of the mobile tax system Cristina Kirchner focused on the class perspective by arguing that ‘the international price of soy should not benefit a few producers; but all Argentinians. Furthermore, the burden of development should be shared by all’ (Página 12, 2008). This argument was presented in the context that the continuation and the rearticulation of the export tax regime was necessary for national development with the knowledge that inflation was eroding earlier gains, and that macroeconomic indicators were

⁸⁵ The exchange rate would be kept around three pesos per dollar until mid-2008, when it will start devaluing.

generally deteriorating. However, as the taxes were funding an interventionist model of the Argentine state, they became inextricably linked with redistribution and associated with cash transfers and subsidies whose recipients were the growing voter share of the president.

Although the implementation of the resolution was operationalised initially through the utilisation of presidential decree, it was underpinned by the legislative security of an FPV controlled Congress and knowledge of weak institutionalised representation from the rural sector (Freytes and O'Farrell, 2017; interview Freytes, 2019). As the sector lacked effective institutional channels to protest the hikes, this meant that a groundswell of public support and collective action was required to try and overturn the variable tax regime. Put succinctly, one of the only ways for farmers, producers and other rural actors to protest the tax hikes was by mobilising and taking to the streets.

The End of the Fiscal Peace

By this time the export tax takings had become a significant funding stream for the Kirchner governments. By 2007, they made up the lion's share of emergency taxes which represented 4.7 percent of the 26.4 percent tax to GDP burden (Ministerio de Hacienda, 2021). Emergency taxes had become entrenched in the Kirchnerist tax policy basket: they represented 58 percent of the emergency tax collection which equated to 10.3 percent of total revenue collected by the Argentine Treasury in 2007. However, when the export taxes were hiked in March 2008, they were done so out of an emergency context. Argentine output had been growing at around eight and nine percent for several years and surpassed its pre-crisis GDP, whilst poverty and unemployment levels halved which as alluded to earlier, granted President Kirchner approval ratings above 50 percent towards the end of his term and assuring the electoral victory of his wife in October 2007 (Bergman and Gray, 2007). What this means is that the context of these taxes had now changed which was a change too far for the producers and as such, it was no longer as acceptable to them.

As I alluded to earlier, the justification for the increases no longer pointed to the crisis and conditions of economic emergency but rather to 'problems of growth', particularly around the effect of inflation, which in 2007 neared an 20 percent annual rate — albeit the INDEC reported a level much lower at 7.2 percent (Gerchunoff and Kacef, 2016). Officials therefore claimed that the hikes did not pursue a fiscal goal, but were needed because the rise of international prices exposed the local consumption basked to 'imported inflation' and lowered the purchasing power of citizens (Cufre, 2007). At the same time, the economy minister

declared that the hike ‘preserved adequate levels of profitability’ of the sector (EFE, 2007). This argument started to be rejected by rural and political actors, who increasingly viewed the taxes as ‘confiscatory’, seeking to finance additional expenses during an electoral year and compensate the deterioration of the government’s fiscal position. Elisa Carrió, the defeated presidential challenger claimed the government was trying to finance its ‘fiscal disorder’, given the lack of investment and external financing (Perfil, 2007a; P12, 2007). The SRA highlighted that whilst in favour of distributive justice, the government was following short-term interests rather than the long-term promotion of investment and production, indicating that some specific rural sectors were actually in crisis due to the taxes, as these were *ex ante*, responding to rather than actual earnings (Perfil, 2007b). The CRA and FAA not only promoted minor protests after the January rise but evaluated judicial measures due to the asymmetrical impact the hike would have on the smaller producers, with lower productivity and margins (interview Bertoni, 2019; Cufre, 2007).⁸⁶ What all this points to is a growing rejection for the rationale of the legitimacy of the export taxes.

Taxes were no longer being utilised for crisis response but were now helping fund an interventionist model of the state. Indeed, as explained earlier and clearly shown in Figure 4, during 2007 the government had expanded cash transfer programmes, maintained transport and energy subsidies, and sponsored additional rises in salaries. Here the importance of emergency tax to shore up this increased level of public spending is laid bare: the public sector would have been in deficit for the first time since the crisis, if it were not for transfers from the recently-reformed pension system (explained later in this chapter) and the contributions of emergency taxes, which reached 4.7 percent of GDP (Bonvecchi and Giraudy, 2007; Ministerio de la Economía, 2020).

Furthermore, as the change in rationale for the export taxes was accompanied by the growing price of corn, wheat and especially soy (which had started an upwards trajectory in 2006) this too heightened the criticism that was being levied by the rural producers’ associations who labelled this modification to the export tax regime as nothing more than a programme of rent seeking because of these price increases. There was a growing pressure on the government to increase collection as the fiscal burden of the redistributive model of the state (especially through energy subsidy provision) was rising, along with inflation and therefore, the government required augmented revenue collection to continue funding the

⁸⁶ The burden of tax fell heaviest on smaller producers because of the increased concentration of crops in fertile provinces, thus paying higher tax per hectare (Rodríguez and Arceo 2006).

energy policy and its welfarist model (Kulfas, 2016). This was a point that was highlighted by the producers.

Conflict with the Rural Elites

The increase in export taxes was so contentious that it instigated an immediate and coordinated response from the rural sector. Eduardo Buzzi, leader of the CRA declared that ‘...it’s a pity that they [the government] are using us as source of revenue to solve cash problems’ and the head of the FAA stated that ‘with the excuse of sojisation (*sojización*) they are turning to fiscalist and rent-seeking measures’ (Colombres, 2008).⁸⁷ The fragile consensus that had been displayed thus far and the willingness to support crisis response was replaced by a cohesive reply that managed to bridge the heterogenous interests of the four major rural associations. The day after the implementation the Agricultural Liaison Committee (*Mesa de Enlace*) was assembled which comprised of all four rural associations and it immediately denounced the confiscatory character of the taxes and called for a nation-wide open-ended agrarian strike, stopping all agricultural activities and sales. Bridging the heterogenous interests of the four associations was no easy feat, and therefore it highlights the level of opposition that the taxes engendered:

Kirchnerismo managed something that hadn’t been seen previously, something that nobody had been able to do, they united groups within *el campo*. The SRA united with the FAA, it hadn’t been seen, that hadn’t been done for over 100 years (interview Bertoni, 2019a).

The conflict rapidly escalated as self-organised rural actors mobilised and set up roadblocks and picket lines across the main agrarian regions of the country. The opposition was underpinned by initial surprise at the tax reform for two main reasons. Firstly, because the tax hike was not in the producers plans and therefore came as a surprise. Secondly, producers were angered because in March 2008, a record crop was expected in both yield and international price. The timing of this change was viewed negatively as the policy — through the perspective of the producers — appeared to be rent seeking due to the opportunistic way that they were

⁸⁷ *Sojización* is the process of land diversification away from other crops to soy because of increasing prices. This in turn affects domestic prices of traditional crops pushing up the price of food products.

implemented whilst there were high international prices — reaching over \$USD600 per ton for soybeans see Figure 5 (Kulfas, 2016).

Moreover, opposition to the tax hikes transcended the rural sector and engulfed other sectors and other actors. Parties who had been swept aside with the president's emphatic victory in October 2007, grasped the opportunity to consolidate their collective support behind the *Mesa de Enlace* and through this consolidation, it had the intended outcome of further increasing the pressure on the government during this highly contentious period. The conflict witnessed outbreaks of violence and a destabilising effect on the availability of products — following the blockades of key routes. The conflict lasted from March through until 18th July 2008. During this period, there were major protests both for and against the taxes — one of the biggest (anti-government) being 25th March in Buenos Aires. The farmers and producers who were protesting initiated strikes and roadblocks which affected the supply of staple foods — meat, poultry, milk, fruit and vegetables — to supermarkets nationally and a lock out of Buenos Aires. Pro-government rallies in response highlighted Cristina Kirchner's class argument. The government derided the farmers as 'protesters of abundance' with the president arguing that the farmers should act 'as part of a country, not as owners of a country' (McDonnell, 2008). However, the taxes not only instigated a 'traditional' sectoral opposition from interest groups and their supporters, it managed to consolidate support in other groups, both the urban middle classes and upper classes joined the rural sector protests, the tax hike initiated an intersectoral response from salaried workers (Fair Rzezak, 2008).⁸⁸ An economist working with the UIA pointed out that:

People who were receiving a salary were becoming more worried about the security of their salaries. They didn't feel safe. If the government could do this to the rural sector what was to stop them from doing the same to them by taking more from their salaries (interview de Miguel, 2019).

What all of this shows is how contentious this policy had become outside of the traditional cleavages and that the legitimacy that had been built to tax exports, post-crisis, had been lost because of the contestation around the rationale of the taxes. A rationale that was now being questioned outside of the rural sector. The roadblocks were only lifted when the resolution was

⁸⁸ Self-organised actors (known as '*autoconvocados*') — that were comprised of the more heterogenous group of new rural tenants, professionals, and small and medium-sized investors that had proliferated since the nineties (Gras and Hernández, 2009) — mobilised and set up roadblocks and picket lines throughout the country.

sent to Congress. Resolution N. 125 was deferred to the FPV controlled Congress to legitimise the tax modification through obtaining the legislative support of both chambers — a process which had been previously circumvented, owing to the use of a presidential decree. The administration's aim was to achieve legitimacy for its augmented export tax level by rallying unions, the unemployed and influential FPV figures behind a proposal to have Congress enact the reform into law (Calvo and Murillo, 2012).

The policy became no less contentious in Congress and there was no real consensus between deputies and senators aligned to the government of how to address the agrarian conflict and internal political wrangling would become salient within the ongoing situation. Various sectors within the government were arguing for an orderly exit from the crisis through a negotiated drop in the level of the tax that was being levied, whilst still respecting the general framework of the mobile withholdings and with it, demonstrating support for an increased overall tax burden on the sector (Kulfas, 2016). Senators who relied on the vote from agricultural provinces were negotiating with rural actors directly and not in-line with the administration's narrative. An interview with the former President of the National Foreign Trade Commission highlighted this perspective and said that 'there was great pressure on congress people and other public actors especially on those who were up for re-election' (interview, Bertoni, 2019a). The mobile tax resolution narrowly cleared the Chamber of Deputies by 129-122 votes and the resolution then travelled to the Senate where the provinces or subnational states are equally represented by three senators regardless of their size or population — political representation per capita is lower in the more heavily populated provinces (Porto and Sanguinetti, 2001) —, a point that was highlighted as already contentious in Argentina because of the representative weight of elected members' votes (interview Streb, 2019). However, after 18 hours of deliberation, the vote was tied with many senators from the ruling party voting against the government's proposal, partly due to the fear of electoral reprisals from their constituents (Giraudó, 2017). The revocation of Resolution N. 125 came on 17th July 2008, when the President of the Senate and Vice President, Julio Cobos decided to vote against the mobile tax policy and with the loss for the government, the export taxes returned to pre-existing levels (*ibid.*).⁸⁹

However, the utilisation of emergency taxation through export taxes continued post-conflict albeit not in its variable mechanism. Export taxes had now been levied continuously

⁸⁹ Julio Cobos was not a Kirchnerist or Peronist but was part of the UCR. He was part of Néstor's 'transversal' movement under which he tried to unite progressive Peronists and non-Peronist leftists (Levitsky and Victoria Murillo, 2008).

from January 2002 and as highlighted earlier, had been intrinsic in lifting the overall tax burden which was funding increased public spending and redistribution, which reached a level of 32.6 percent of GDP in 2008 – Figure 4. However, the loss of the vote in the Senate was a seminal moment and was seen as a crushing blow for the executive. Through the initiation of the conflict, the farmers, producers and their associations had withdrawn agreement for paying higher levels of extraordinary taxes — effectively putting a limit on how much fiscal revenues the government could extract from the sector. The wave of political popularity that had seen Cristina Kirchner and the FPV elected less than six months earlier had been eroded when the opposition transcended the rural sector. And with this erosion, the political space to implement further reforms was diminished.

Ex-government officials and actors involved in the creation of the mechanism pointed to the fact that as the mechanism of Resolution N.125 was poorly communicated, this was a salient factor in explaining why the policy initiated such resistance. Although as earlier highlighted, actors in the rural sector criticised the policy as rent seeking, conversely these interviewees pointed to the fairness of the mechanism and argued that when prices dropped, farmers and producers would actually be better off as the level of tax fell from the fixed rate export tax level that was in place by the time Néstor Kirchner stepped down as president (interview CEPAL A, 2019; interview Bertoni, 2019a). There was a belief in official circles that miscommunication was an important factor in triggering the conflict. There was a sense that it was through poor articulation of the banded taxation system that was the real catalyst for conflict. As the response was instantaneous, it became problematic for the architects of the policy to explain this to the actors over whom the tax was levied. The former official highlighted that:

Producers, when scrutinising the bands of tax payable would see a tax rate of 95 percent payable when the price of soy exceeded \$USD600 per ton. This was contentious because what wasn't sufficiently explained was the fact that 95 percent tax would be solely levied on the portion of the product that exceeded \$USD600 not on the first \$USD600. It was not well communicated (interview CEPAL A, 2019).

Fairfield (2015) also argues that the 95 percent rate of tax acted as a red flag (Fairfield, 2015). She argues that because the tax rates became mobile, the producers felt that 'The state would take everything' (ibid., p.211). Moreover, as Giraudó (2017, p.172) indicates, by this point many agricultural actors lacked trust that the government would keep its side of the fiscal

bargain, so that they would be ‘sharing the profits but not the loses’, and in light of their recurrent side-lining, saw revolting as the only avenue left to defend their interests. So, what was seen as a level of miscommunication in government circles was viewed as an issue of mistrust by rural elites. The mistrust between the producers and the government had actually been steadily growing before the 15th of March 2008 hike and started with the two rises in 2007 with many in the sector feeling a sense of frustration at two increases in 10 months, especially at the one that was implemented two days after the election of Cristina Kirchner. The 2007 hikes consolidated discontent amongst rural elites in a scheme that offered them limited economic or political benefits (Fairfield, 2015). A former government minister highlighted that:

Producers were very angry at the timing of the rise, and they felt powerless to complain as there was no official government in place. As the price of soy was increasing [to them] this amounted to a rent-seeking strategy (interview CEPAL B, 2019).

What this conflict shows is that the government lost the support of the rural producers to increase taxes on exports, the associations’ earlier hopes of improving relations had been lost.⁹⁰ The government lost the support of the producers because it didn’t have the legitimacy to tax for an interventionist state. Furthermore, by implementing the modification to the tax design through presidential decree, it shifted the fiscal contract by pursuing a hegemonic process which rejected any vertical bargaining. The 2008 protest laid bare the limits of the government’s strategy to embed this fiscal contract via a hegemonic coalition between civil society and certain elite sectors, like industry, that would envelop the rural sector, marginalise its more powerful actors, and guarantee its fiscal subordination. The leader of the CRA also noted the ideological character of the fiscal bargain targeting and the lack of horizontal fairness by indicating that other sectors that were enjoying similar levels of ‘rent’ (profit) were not being targeted — a comment targeted towards bankers and industrialists who were present during the announcement of the mobile tax scheme, who ‘clapped that the government was taking someone else’s money’ (Infocampo, 2008).

After the protests, the relationship between the government and the rural sector would turn openly adversarial, characterised by low trust and minimal communication, and making any

⁹⁰ The rural associations accepted that direct action would be pointless in 2007 and held out hope that Cristina Fernández de Kirchner’s campaign promise to improve relations with the sector would come to fruition (LA NACION 2007a, Fairfield 2015).

form of fiscal negotiation impossible.⁹¹ Moreover, the strategy assumed by government to polarise the conflict in partisan terms eroded any space left for vertical and horizontal solidarity, particularly when deep rooted political cleavages in society were laid bare, setting the government, unions, and its traditional working class support base, against an emerging but disarticulated alliance between the rural sector, multiple opposition parties, and urban middle and upper classes (Catterberg and Palanza, 2012). This was a pivotal moment in Kirchnerist governance. This disarticulated alliance would consolidate and grow around factors that shifted the debate away from one just about tax, but to factors that had implications for tax collection. Now this chapter will also shift away from a discussion about just tax to engage with the wider political economy debate during this period and show how a programme of enhanced interventionist state capacity building would both deepen and become more problematic, consolidating support both for and against the Kirchnerist statist model.

Redistributive Tensions: Expansive Welfare and Fiscal Challenges 2008-2011

This section will briefly highlight the general economic environment in Argentina to provide context for policy implementations and to support the argument that the president was entering into a more generalised debate about the model of the state that was being pursued. During this period, the government would encounter increased fiscal challenges due to expansive spending and decreasing revenue collection which would put pressure on export taxes – see Table 15. Furthermore, additional funds would be required to address how inflationary pressures would affect the value of this money as these inflationary pressures were increasing. To build the argument, I draw on macroeconomic indicators that were contingent factors in policy responses to highlight how they affected the programme of interventionist government spending, which had proved contentious to the relationship between government and the rural producers and was a catalyst for the 2008 rural revolt.

⁹¹ In an interview with a soy trader, Giraudo (2017, p. 173) notes that the view of the government after the protests was that agribusiness was administering wealth that did not belong to them, and that their role was to contribute hard currency to the national budget.

Table 15: Key Economic and Social Indicators (2008-2011)

	2008	2009	2010	2011
GDP (USD) (2007 = 100) Source: World Bank	126	116	147	184
GDP growth increase (%) Source: World Bank	4.5%	-5.9%	10.1%	6.0%
Poverty rate – Urban Conglomerates (% of population) Source: INDEC	15.3%	13.2%	9.9%	6.5%
Poverty level (%) Source: Universidad Católica Argentina¹				24.7%
Inflation (%) Source: INDEC	7.2%	10.6%	10.9%	9.5%
Inflation (%) Source: Argentine Congress	-	-	-	22.6%
Unemployment (%) Source: ILO	7.8%	8.6%	7.7%	7.2%
Current Account Balance (% of GDP) Source: World Bank	1.5%	2.2%	0.3%	-0.4%
Fiscal Account Balance (% of GDP) Source: CEIC, OECD	1.2%	-0.6%	0.2%	-1.4%
Total Tax Revenue (ARSm) (2007 = 100) *	135	153	205	270
Total Tax burden (% of GDP) Source: OECD	27.6%	28.9%	29.1%	29.3%
Emergency Tax burden (% of GDP) *	5.7%	5.0%	5.1%	4.9%
Emergency Tax (% of total tax revenue) *	20.6%	17.25	17.6%	16.7%

* Source: Ministerio de Hacienda, Argentina

¹Poverty level based on the ability to purchase a basic basket of goods

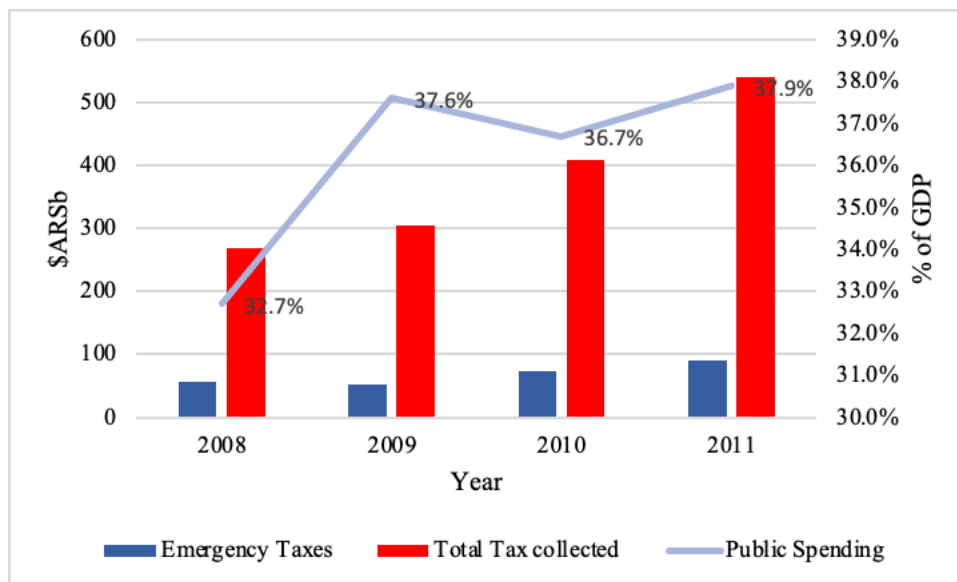
In 2008, global economies were entrenched in a financial crisis and credit crunch that would negatively impact on global confidence, the liquidity of capital flows and reduce borrowing options (Brunnermeier, 2009). This period did detrimentally affect Argentina through reduced global demand for exports. However, it was only temporary, and the Argentine economy bounced back relatively quickly, buoyed by the renewed growth in the price of soybeans and the uninterrupted utilisation of emergency taxation — fuelling the overall growth of the tax burden.⁹² Table 15 shows that although GDP growth dropped in 2009 to -5.9 percent, this rebounded to 10.1 percent in 2010 and maintained strong growth of six percent in 2011. The value of this production rebounded to represent a near 50 percent increase on the value in 2007. Furthermore, Figure 6 demonstrates strong growth in the tax burden throughout this period, a higher tax take is congruent with a growing economy through enhanced productivity. The level of taxation collected by the AFIP actually doubled during this period with 2007=100, the tax burden doubled from 135 in 2008 to 270 by 2011.⁹³ However, although the level of emergency

⁹² Soy peaked at \$USD603 per ton in June 2008 (Cboe, 2020).

⁹³ \$ARS269,351m to \$ARS540,138 (Ministerio de Hacienda, 2020).

taxes continued contributing to the growing tax burden and they grew year-on-year, as a percentage, this level started to fall following its peak at 20.6 percent in 2008 — this peak was buoyed by the tax hike in late-2007 and strong exports which increased from \$USD55.7b in 2007, to \$USD70b in 2008 (World Bank, 2020). However, emergency taxes still represented 16.7 percent of total taxes in 2011, even whilst the economy was growing strongly.⁹⁴ But, this does clearly demonstrate that the government did not increase the emergency tax base, it dropped as a share of tax take by 3.9 percent in four years and the share of export taxes within this take dropped by five percent (Ministerio de Hacienda, 2021).

Figure 6: Total and Emergency Tax Collection and Public Spending (% GDP) (2008-2011)



Source: Ministerio de Hacienda (2021). Graph by Author.

What Figures 4 and 6 do clearly demonstrate is that through redistributive policies, the level of government spending was increasing. The fiscal surplus of 1.1 percent in 2008 was the sixth consecutive annual fiscal surplus since 2003. However, this preceded the fiscal deficit of -0.6 percent in 2009 which was the first fiscal deficit of Kirchnerismo and aside from a slight bounce back in 2010, this pattern of a government spending more than it collected would set the trend for the remainder of Kirchnerismo. Therefore, the return to a fiscal deficit in simple terms shows that by this point the government was spending more than it was collecting, even

⁹⁴ These included export taxes and banking taxes on credits and debits.

with tax collection at record levels. This fiscal puzzle became all the more challenging in 2011 when government spending would reach a high of 37.9 percent of GDP. Damill et al (2015: 27) referred to this as the ‘expansionary phase of the populist strategy’; whilst others were not so forgiving of the strategy with the economist Miguel Bein (2014) calling the programme of enhanced spending with reduced resources a ‘macrocide’.⁹⁵ What is evident here is that redistribution was continuing but for the government, it was becoming more difficult to maintain the level of spending, which would be problematic.

However, this increased welfare spending that is emblematic of the administrations of Cristina Fernández de Kirchner would have an important impact on the reduction of poverty levels. Table 15 shows a consistent decline in the level of poverty from 15.3 percent in 2008 to 6.5 percent in 2011. But, as the INDEC had been intervened in 2007, The Catholic University of Argentina *Universidad Católica Argentina (UCA)* began presenting its own data series in 2011 which shows that poverty was higher at 24.7 percent. Ahead, these asymmetries would become problematic for the government which I shall engage with in the following chapter. But, in this period, it is important to draw attention to the effectiveness of these politically polarising social redistribution policies as they were now being eroded by consistent levels of inflation. Even when taking documented interference and manipulation into the INDEC into account, inflationary figures were higher than the levels that were reported under Néstor Kirchner and rising: the rate of inflation in 2010 was more than four percent higher than the 6.1 percent level recorded in 2004. This growing inflationary burden eroded the effectiveness of any redistributive policies as the price of goods would rise simultaneously, which, would mean that the welfare payments would need to be increased to keep pace.

Government spending and inflation were increasing during this period, but post-2008, the relative share of the emergency export taxes began falling. This shifted the debate from one about tax to a debate that was more ideological. It was embedded in the Kirchnerist statist vision but a vision that required funding and that had lost an important financing stream. This chapter will now engage with policies implemented during this period, that are both emblematic of an interventionalist state vision, and which are polemical and contentious for the government’s opposition. Through this exploration, the chapter starts to construct the argument that the government was trapping itself in a spending cycle on which it was building a strong voter base — one which was relying on the redistributed revenues — but one which would require funding.

⁹⁵ Referring to what the economist saw as *macroeconomic suicide*.

The level of state intervention into the Argentine economy increased following the protests of 2008 through both redistributive policies and an enhanced programme of nationalisations. This increase of state involvement exacerbated an already fragile relationship between pro- and anti-government supporters which would lead to further polarisation around the redistributive nature of Kirchnerismo. Furthermore, the loss of legitimacy seen in 2008 meant that there was not enough capacity for the government to raise export taxes further to fund enhanced spending. Therefore, other policies were initiated with the aim to raise revenues to fund these policies that were either introduced, or expanded, during this period. I do this to show that implementing or funding these would have exacerbated tensions and been politically polarising. With emergency taxation representing 20.6 percent of tax collection in 2008, the implementation of policy to reduce the burden of tax on other sectors whilst maintaining these on the value of exports would be contentious and demonstrates the structural problems that are evident when tax falls on only a limited pool of actors (Von Haldenwang, 2008, 2010).

Income Tax Relief

In August 2008, the government implemented a tax reform targeted towards its core supporters by reducing the tax burden for the lowest paid. The policy was targeted at income tax on labour (*Impuestos a las Ganancias*). The threshold at which all workers would need to pay income tax (*Mínimo no Imponible*) was elevated to allow workers to keep more of their wages before this would attract tax (AFIP, 2008). However, what this did was give a tax break to workers whilst continuing emergency taxes over the producers, further fuelling potential tensions between the government and rural actors. The move to increase the minimum tax rate occurred much earlier and was a much more substantive increase than was seen under the previous Kirchner administration. A move that one interviewee highlighted could demonstrate the level of confidence that the president had gained from her emphatic electoral victory, and also as a way to shore-up core support following the congressional defeat (interview Streb, 2019).

The decision to augment the base rate at which tax was paid was first implemented in 2006. Table 16 shows that the non-taxable threshold had been raised from the level of \$1,694.00 (Argentine Pesos each month for a single person) in 2005, to \$2,215.00 in 2006. These data show that prior to this first Kirchnerist increase, the rate at which the Argentine state would collect tax had been maintained at this level for three years. The new administration then raised the level of the non-taxable threshold to \$4,015.00. It was estimated that this move would have removed or reduced one million Argentine taxpayers from the tax bracket, which

would have been a real increase to the amount money in their ‘pocket’ equivalent to two percent of salaries (Clarín, 2008). However, removing an estimated two million lower paid and therefore, generally working-class Argentines (or reducing their burden) from paying taxes is not what the Kirchners had built capacity to tax exports for in the eyes of the producers. The temporary legitimacy had been bestowed upon the taxes as a response to emergency not to ameliorate the lives of their political support base. Furthermore, reducing the rate at which citizens are eligible to pay tax would increase pressure on the fiscal account which was showing signs of contraction.

Moreover, paradoxically this policy would bring more workers into the tax bracket as one of Argentina’s inherent macroeconomic problems; inflation, would ensure that more workers would become increasingly eligible to pay income tax. The contradiction between the policy outcome and its intended impact — because of inflation — begins to highlight the tensions that were evident between policies that engendered political support and economic macro indicators. Under Néstor Kirchner’s administration the rise in the minimum tax bracket was always above the rate of inflation which translated into a real increase in the level at which tax would become applicable. However, this rise was not above the rate of inflation and as highlighted during an interview with the Chief Economist at *FIEL*, the non-taxable rate was not indexed for inflation. This meant that as the level of the base-level increase was below the prevailing rate of inflation, then this would negate this rise (interview Artana, 2019). In 2008 the minimum tax level was increased by 19.99 percent. However, whilst the rate of inflation was reported by INDEC to be 7.2 percent, it was widely considered to be higher reaching just under 20 percent in 2007, and was estimated by the OECD to be 22.6 percent in 2008, negating the real benefit of the augmentation in the base-level of income tax for those that it affected (Gerchunoff and Kacef, 2018; OECD, 2015).

Table 16: Income Tax Implementation Threshold (2001-2013)

Year	Single person \$ARS per month	Married + 2 Children \$ARS per month
2001	1348	1662
2002	1348	1662
2003	1694	2063
2004	1694	2063
2005	1694	2063
2006	2215	2954
2007	3346	4577
2008	4015	5554
2009	4015	5554
2010	4818	6665
2011	5782	7998
2012	5782	7998
2013	8326.1	11,517.10

Source: AFIP (2021)

Whilst a raise in the level of the minimum tax bracket would benefit the government's traditional support base, it had the potential to further exacerbate tensions with its traditional opponents. As taxes had been increased over the rural sector the relief would have primarily benefitted the urban working classes, fitting squarely with the ongoing structural argument between the two. In doing so it highlights the complexities of raising tax over one sector whilst offering relief to another. In effect, this demonstrates a type of locking mechanism that entrenches the government in conflict:

When the government tried to increase the [export] tax burden over one sector whilst simultaneously reducing the tax burden [levied] over another, it could only result in increased tensions (interview CEPAL B, 2019).

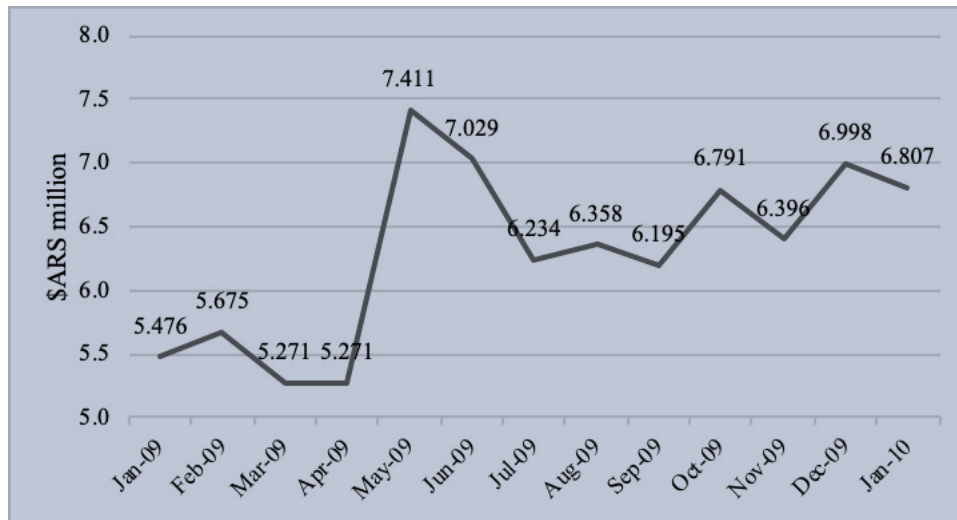
However, these tax breaks for lower earners would need to be funded and government spending was not only increasing by offering these tax breaks along with the continuation of wider social redistributive policies, but post-rural revolt, the government had agreed to share some of the windfall gains from soy taxes, with the agricultural provinces from where they had been collected. Meaning that revenue available for the federal government to spend was being squeezed in a number of ways.

Concessions: Redistribution and the Creation of the Soy Fund

The reform through the *Coparticipación* mechanism highlights that following the rural revolt, the government did not have the support of the producers to tax exports further, post-conflict. Instead, some concessions around soy were offered, which was seen by many as a way to try and repair some of the damaged relationships with agrarian sub-national levels of government (interview Bertoni, 2019b). Before this point, the Kirchners were able to discipline agrarian provinces by withholding the redistribution of federal revenues, through the framework of *Coparticipación* (Bonvecchi and Lodola, 2011; Cetrángolo, Jiménez and Vega, 1998). However, this was reformed to try and ‘bridge the gap’ between the executive, the producers and provincial leaders. Previously under the mechanism, these centrally collected export taxes did not follow the same spatial logic in the redistribution mechanism back to sub-national administrations. Put simply, export taxes that were collected from provinces where agribusiness was prevalent, were not distributed back to them, allowing the government to exert authority over those sub-national administrations (Giraudó, 2017). However, this reform post-2008 would include soy within the redistribution mechanism from March 2009 whilst other export taxes remained exempt (CIFRA CTA, 2010). This move to redistribute 30 percent of collected soy export tax had a huge effect on the amount of revenues that the executive lost to the provinces through this framework – see Figure 7.⁹⁶

⁹⁶ The amount of tax that is shared between the provinces varies depending on the price that the producers receive and the amount that is exported, hence the fluctuations.

Figure 7: Evolution of Redistributed Revenue via Coparticipación Federal (Jan 2009-2010)



Source: CIFRA CTA 2010. Graph by Author

This concession demonstrated the influence that agribusiness has on sub-national levels of government and further underpins the distributive conflict between both the producers and the president and federal and provincial levels of government. It also demonstrates the complexity of the challenge of trying to pursue a social redistributive programme, whilst collection streams are diminishing. The challenge for the Treasury was to balance the increasing programme of social redistribution whilst sharing 30 percent of soy taxes with the provinces. Table 15 highlights this challenge and points to this attrition in both the level of emergency taxes collected over the mandate, and the share of these as a burden. The former dropping from 20.6 percent to 16.7 percent (with the share of export taxes within the emergency tax scheme dropping from 65 percent to 60 percent) whilst the latter reduced from 5.7 percent to 4.9 percent (Ministerio de Hacienda, 2021). What this means is that the government was collecting less export tax revenues and redistributing more of the revenue it had collected, which was demonstrating some of the challenges that would beset the interventionist model in the not-too-distant future. With diminished opportunities to tax the producers further, additional measures to unlock state financing were implemented. However, these measures both consolidated a wider role for the state in the economy — through pension reforms and repatriation of capital policies — whilst exacerbating the historic tensions between the government, and the rural producers, because it was pushing ahead with a vision of the state that did not align with their interests, and the measures were primarily supporting the lower paid. One of these reforms was an overhaul of the pension system.

Pension Reforms

Tax cuts benefitting the lowest paid — that in part were funded by export taxes — and a deteriorating general macroeconomic environment meant that further sources of revenue were needed to fund a programme of social redistribution. One of the avenues available for increasing state resources was through the re-nationalisation of the pension system, which Cristina Kirchner initiated in late-2008 (Carnes and Mares, 2013). Major pension reform had taken place in 1993 under the government of Carlos Menem — Law 24.241 — with the creation of a new national actor, the Retirement and Pension Fund administrator (*Administradora de fondos de Jubilaciones y Pensiones* ((AFJP). The central tenant of this reform was the capitalisation of pension savings collected from each taxpayer. The role of the AFJP was to manage these national pension contributions and to invest the collected revenues through the acquisition of various financial assets and funds. In exchange for managing this fund, the AFJP would charge a commission in the region of around 30 percent of the value of the contribution (Kulfas, 2016). This (semi)privatised system — which aligned with the pro-market system pursued by Carlos Menem — had replaced the previous state-led distribution system (Mesa-Lago and Müller, 2002).

The government initiated the process of rescinding the reform that had been implemented in 1993, towards reclaiming the role of the state in the redistribution of pension contributions. This augmentation of the state's power through pension contributions could be viewed through the perspective of a key political reform which aligned with the FPV. This is because it not only rebuilt the control of the state vis-à-vis pensions, but it also simultaneously shrank the role of the market. However, this argument does not take into account the growing fiscal tension which through a re-nationalisation of the pension system, this would provide additional funds to the government, quickly. It has been argued that when countries have no access to international financial markets, rapid pension reforms provide a pathway for governments to access funding and ameliorate their fiscal positions (Angelaki and Carrera, 2015). In this sense they provide the state with the same quick funding stream analogous to export taxes. As the government was pushing ahead with increased public spending — including through energy and transport subsidies and its social redistribution programme which was about to be extended in scope — the re-nationalisation was viewed as a way to support state financing (ibid.). What all of this shows is that the state was increasing its intervention into the economy, this time through the pension system, but in an attempt to address funding

shortfalls. There was a deepening of the Kirchnerist statist model. However, in response to the tightening fiscal environment, a further attempt at financing state expenditure was made by means of a money laundering law whose focus was the repatriation of capital held offshore.

(Tax) Money Laundering Law

With less capacity to raise revenue further from export taxes, and with the deterioration of the fiscal space with the return of a national fiscal deficit, the government sought to address this with further fiscal reform. One which would have a dual approach vis-à-vis the offer of a moratorium on previous tax debts in the hope of ‘laundering’ capital that had been transferred offshore. With the proclamation of Law 26.476, the Tax Laundering Law (*Ley de Blanqueo Fiscal*) was initiated in an attempt to try and reverse the falling level of hard currency in Argentina by offering an amnesty for the repatriation of capital held offshore. This fiscal policy was published in the Argentine Official Bulletin *Boletín Oficial* on 24th December 2008 and was regulated by the AFIP through resolution 2650 (InfoLeg, 2021). Embedded within the Law was the mechanism whereby taxpayers could expect a moratorium on previous tax debts, including interests and social security payments, due by 31st December 2007.⁹⁷

Fiscally, the plan did not yield a high level of collection. During a press conference delivered by AFIP on 4th April 2017, it confirmed that the amount of revenue from this policy in 2009 was \$USD4.692m. This low level of compliance represents an absence of consensus around the policy and an absence of distrust by money holding sectors — in contrast with the acceptance of a similar scheme under the government of Mauricio Macri (2015-2019), which received \$USD116.800m during the implementation of the Tax Laundering Law in 2016-2017 (AFIP, 2017).⁹⁸ Moreover, the policy was heavily criticised by anti-Kirchneristas. on numerous fronts. First, because it presented a mechanism that would delay or diminish tax collection. In an interview with a tax expert he argued that it was a bad fiscal policy due to the loss of taxable revenue that would otherwise be available to the state if the moratorium was not offered (interview Gómez Sabaini, 2019b). Second, there were some who viewed this not as a policy to increase fluidity in capital, rather as a tool which would aid the wealthy supporters of the Kirchners and therefore added to a sense of corruption that was growing around the government (Manzetti, 2014). This sceptical view was reproduced by a known business journalist, who

⁹⁷ There was no moratorium on interests payable on pension contributions.

⁹⁸ Total monthly tax collections in 2017 were on average \$USD9.522m showing the scale of the success of the Macri government Tax Laundering Law (AFIP, 2017).

considered that the policy was in the pursuit of a political goal, favouring some wealthy affiliates of the Kirchners but not benefiting the state that much in financial terms (interview, Rapisarda, 2019). Although this policy, part of a broader package to increase state revenue did raise low-level collection, because spending was outstripping collection, further funding was needed.

Energy subsidies were still being universally offered and 2009 would mark the implementation of President Fernández de Kirchner's signature Universal Child Welfare policy *Asignación Universal por Hijo (AUH)*, which required financing. And, as shown in Figure 6, the level of public social spending (2008-2009) increased by 4.2 percent of GDP, which the AUH attributed towards. Although as this policy was implemented in 2009, it became much more problematic to maintain as a policy in the president's second term. Therefore, I will explore the key elements of the policy in the Chapter six. However, there was another salient factor during this period that exacerbated social tensions and built on the sectoral opposition to social redistribution policies of Kirchnerismo and its statist model. Government intervention into state institutions would also form the basis for a growing conflict. This entrenched the government in a deeper general conflict with its traditional opponents through institutional politicisation.

Partisan Politicisation of Institutions

An expansion of executive intervention into previously autonomous institutions, would exacerbate the conflict between pro and anti-government groups. To make this argument, I draw on government interventions that demonstrate that partisan politics increased within autonomous national institutions — in an attempt to ameliorate the declining fiscal space available to the government — which would paradoxically be a catalyst for institutional backlash through growing calls of politicisation and corruption. In particular, the politicisation of two key institutions, the Central Bank and the AFIP (following what had already happened in the INDEC), added to an increasingly contentious climate where taxes became an integral element of partisan polarisation.

The AFIP is the institution responsible for all tax collection in Argentina. It is an autonomous entity and its budget is partly financed by a pre-determined percentage of the body's total revenues (Cetrángolo and Gómez Sabaini 2010, p.101). Historically, this meant that the AFIP possessed a high-level of administrative autonomy, interacting with the

government through the Office for Resources. In an interview the former Secretary of Public Revenue highlighted that the autonomy that the AFIP was afforded situated the institution outside of government in an autarkic manner:

The AFIP acted independently of government and was, in theory, not influenced by politics at any side of the left and right-wing political spectrum. Although the Director of the AFIP was appointed by the president, the autonomy of the institution and the asymmetries of the funding mechanism meant that partisan politics was precluded from the day-to-day operation of the AFIP (interview Gómez Sabaini, 2019a).

However, the AFIP became embroiled in party politics following the appointment of Ricardo Echegaray a Kirchner supporter as Director of the AFIP on 31st December 2008 — following short tenures of Carlos Rafael Fernández (19th March – 25th April 2008) and Claudio Moroni (6th May – 30th December 2008). He had served within the AFIP previously as head of the DGA under Director Abad, where they endured a contentious, well documented stormy working relationship (Volosin, 2019).⁹⁹ With his return there were a set of views amongst academic economists and officials working within the tax industry that the AFIP, which had played a key administrative role post-crisis, was evolving. It was no longer an institution solely for the collection of tax; there was a set of widely held views within the institution, which understood that with the arrival of Echegaray, the purpose and role of the administration changed.

Increasingly, a widespread view consolidated both among opponents and critical observers that the AFIP transformed into a partisan political unit (interview AFIP-A, 2019; interview Anonymous B, 2019; interview Tax Lawyer, 2019), triggering an exodus of skilled and experienced AFIP operatives (interview Gómez Sabaini, 2019a), who had previously helped strengthened the institution and helped fight against tax evasion. Reports that the number of political opponents *anti-Kirchneristas* who were targeted for tax violations increased dramatically during this time (Repoll, 2010). Simultaneously, cases of corruption levied against Kirchnerist allies — facilitated by personnel within the AFIP — also increased (Volosin, 2019). However, what these highlighted views demonstrate is that through the process of turning the AFIP from a state actor into a partisan actor, this fed into this contentious

⁹⁹ The well documented public dispute was over a \$USD90m contract to award a computerised system that would control customs duties. The disagreement was over the factor that the system was unfit to detect smuggling (Volosin, 2019).

debate between pro and anti-Kirchneristas and paradoxically added to the growing discontent around politicising tax collection.

Enhanced Executive Control in the Central Bank (Banco Central de la República Argentina)

This debate deepened when political intervention into the Central Bank *Banco Central de la República Argentina (BCRA)* was instigated through Decree N. 18/2010. The move attempted to remove its President, Martín Redrado (2004-2010) for reasons of ‘incompetence and dereliction of duty by a public servant’ (Ministerio de Justicia y Derechos Humanos, 2010). Mr Redrado’s rejection to comply with an executive request to utilise the Central Bank’s reserves to fund the Treasury’s debt liabilities (Financial Times, 2010). Mr Redrado had refused to comply with the presidential decree which ordered the Central Bank to transfer USD\$6.5b to a new government fund created for debt-repayment which was being renegotiated that year (ibid.). However, the constitutional legitimacy of the dismissal was called into question which resulted in the decree being first challenged, and then annulled by Judge María José Sarmiento who handed down a ruling that temporarily prevented the utilisation of the Central Bank’s reserves for debt management. Whilst not ruling on the legitimacy of the decree itself, the Judge reinstated Martín Redrado in his position and ordered that the removal of the bank’s chief had to be legislated by Congress and until this could be debated, the decree was annulled (LA NACION, 2010). The resulting impasse lasted until 30th January 2010 when Mr Redrado resigned and was replaced by Mercedes Marcó del Pont as President of the BCRA on the 3rd of February 2011. I am highlighting this incident to show how increasing pressures on the Treasury translated into executive intervention into the BCRA which created wider tensions. Furthermore, this incident damaged the ongoing relationship between the Treasury and the Central Bank — when a cohesive response through both institutions was required to address the upcoming second round of debt negotiations that took place in 2010. This tension was highlighted in an interview with a Senior Research Manager to Mercedes Marcó del Pont, who said:

It was the second round of debt talks, and we didn’t have dialogue with the Treasury. I had been having meetings (over coffee) with an economist from the Treasury and we were on the ‘same page’ when abruptly, these meetings stopped. I learned afterwards this was an order from the Economy Minister (Interview Vernengo, 2019).

This intervention into the Central Bank would continue in subsequent years which would lead to a reform in the charter of the bank. Accordingly, these incidences of institutional intervention and politicisation added to the growing conflict that was building around the model of the state that the Kirchners were pursuing. The interventions were seen as actions that were supporting the simultaneous social redistributive programme, which had historically been so contentious, and therefore exacerbated the faultlines between pro- and anti-Kirchnerists, that existed around the interventionalist state model. The agrarian conflict was responsible for re-igniting this debate. The rural revolt became a turning point, after which the opposition towards the redistributive model would increase, and the continuation of this model would become problematic for the government post-conflict.

Politically, the fallout from the 2008 protests had attributed towards heavy 2009 mid-term congressional election losses for the FPV.¹⁰⁰ The implementation of tax sharing reform through re-distribution mechanisms was not enough to prevent the government from losing control of Congress in the 2009 mid-term elections (Lupu 2009, p. 176). Moreover, during the rural revolt, the president's approval rating was recorded as low as 23 percent, by the Spanish newspaper EL PAÍS (EL PAÍS, 2008). However, over the entire mandate — outside of the conflict with the producers — the government and the president managed to turn their popularity around. Strong national growth that rebounded following contraction in 2009, officially low inflation rates and a continued package of broad-brush subsidies and enhanced social welfare provision all meshed together to help augment the popularity of the president. The Kirchners had managed to grow a strong political base through the generous redistribution of resources (Interview Bergman, 2019). Furthermore, the death of former President Néstor Kirchner in 2010, led some observers to argue that a level of sympathy was attributed to the re-election campaign of Cristina Kirchner and centralised support for the continuation of Kirchnerismo (LA NACION, 2011). Moreover, there was the successful completion of the second phase of the debt swap which meant that 92 percent of the defaulted debt from 2001 had now been renegotiated — Argentine external debt now represented 40 percent of GDP (Hornbeck, 2013). This popular negotiation occurred in the penultimate year of the president's first mandate whilst economic indicators were starting to point towards harder times ahead; in 2011, with only a fragmented and weak opposition challenge, Cristina Kirchner would be re-elected president in emphatic fashion.

¹⁰⁰ Although the FPV and PJ affiliates remained the largest party, they fell short of the 129 needed for a majority. Thus, losing control of both the Chamber of Deputies and the Senate.

Conclusion

This chapter has explored some of the key aspects of the first presidential mandate of Cristina Kirchner. It has engaged with this period by focusing on the rural revolt which I have argued was a defining moment of Kirchnerist governance and has also explored the economic indicators that were beginning to point towards problematic times ahead. It has engaged with some key policy implementations to clearly demonstrate that the level of state spending through social redistribution increased, whilst highlighting the tension that a loss of legitimacy to tax the rural producers further would engender. This situation would mean that for the first time during Kirchnerismo, the government would spend more than it collected, alluding to future tensions in the model.

The third tax increase in 15 months on some of Argentina's major agricultural exports was enough to crystallise opposition between the previously fragmented rural associations and bridge their heterogeneous interests. The variable tax mechanism was the catalyst for a cohesive sectoral response which would ultimately pressure the government to pass the vote to Congress which would rescind the variable tax system and return the burden to pre-agrarian crisis levels. The tax hikes were not acceptable to producers in the rural sector as the tax rationale was no longer one for emergency response. Following four years of growth under Néstor Kirchner and now six years after the default, the context of the taxes had changed in the eyes of the producers. Originally accepted as a necessary tax to support rebuilding the country post-crisis, now the taxes were no longer viewed as taxes for emergency response but that they were supporting a programme of state building for a more interventionist state. The government did not have the legitimacy to tax the producers for this. This was a key factor in the rejection of the variable tax mechanism which highlighted the historic fault lines that there are in Argentina between the Peronists, and actors in the rural sector, over the extraction of surplus rents from agricultural commodities.

This loss of legitimacy to tax the producers meant that the space for the government to carry out its agenda both fiscally and legislatively, diminished. The rearticulation of a percentage of soy taxes through the *Coparticipación* mechanism from federal collections to sub-national level demonstrated an area where executive ability to continue its statist programme weakened. However, this concession was not enough to avert mid-term congressional losses in 2009, which would present additional challenges to the government's

interventionist programme. Export tax levels could not be pushed further and what was collected was now subject to re-distribution. However, throughout all these challenges, public spending increased. This I have argued highlights the level of the social redistributive model that was being pursued was augmenting. One which was building a strong supporter base but was becoming increasingly costly to maintain. Policies that were implemented by President Duhalde as a response to emergency continued throughout this period but whilst the emergency context faded, the emergency package of subsidies and cash transfers was supplemented by additional social redistribution policies which continued to drive down the official poverty level that had peaked in 2002.

Fiscal reforms and policies to support this social redistribution would be questioned by the opposition, including raising the threshold at which income tax became applicable, the re-nationalisation of the pension system and attempts to repatriate capital held offshore. These policies along with claims of politicisation of national institutions including into the Central Bank show two things: that the government was exploring ways to augment revenue collection following the loss of legitimacy to tax the exporters, and contention around the Kirchnerist statist model was growing. This would become more problematic as inflationary pressures were increasing the challenges to the government's spending model, but as the government had created a voter base that had benefited from social redistribution, the challenge post-2011 would be to maintain the statist model with reduced options to finance it.

6. Beyond Tax: Entrapment and the Growing Weight of Fiscal challenges (2011-2015)

Introduction

This chapter, in conjunction with Chapter seven, shifts the focus away from a discussion centred around ‘just tax’ to locate the tax debate in wider political economy and development challenges. The chapters address different elements of the tax debate and I trace two narratives separately for the sake of clarity. I aim to show how, when the productive capacity of the Argentine economy undermined popular economic aspirations, government attempts to continue spending to try and meet these aspirations resulted in a growing opposition from exporting elites (Gerchunoff, Rapetti and De León, 2020). I identify the economic challenges facing the government in this chapter before tracing the rising social tensions that resulted from these macroeconomic challenges in the next. I argue that during this period social conflict no longer revolved solely around tax; taxation was part of a contested vision about the nature of the state and the nature of development, and it was reflected in other issue areas that then accentuated the conflicts over tax. Export taxes became the fault line but sitting behind this were vast ideological differences about the nature and purpose of the state itself and its relationship with the market.

This chapter engages empirically with redistributive government policies that I argue locked the government in a gathering financial crisis when contingent macroeconomic factors made policies more expensive whilst income into the state decreased. There are key structural developments during this period of Kirchnerismo, for the first time, both fiscal and now the current account balances were being further eroded into a deeper negative position. However, I will show that whilst fiscal space was contracting, public spending was increasing, resulting in the financial entrapment of the government whereby the point at which the productive capacity of the economy could deliver the economic aspirations of society was becoming more difficult to maintain. Later, I will detail some of these key social policies that attributed towards the decaying position of the ‘twin’ balances that trapped the government. Policies including subsidy reforms, pension reforms, institutional interventions and reforms that underpinned income redistribution to clearly highlight that they were entrenched in an interventionist vision of the state and it required funding. Which represented a major challenge as external

factors were making this more expensive and increasing pressures on the government whilst international currency reserves were deteriorating.

I will show that during this period, even when there was a growing weight of fiscal challenges, the tax programme that had helped fuel Argentine recovery ten years earlier was not expanded. Export tax percentages were kept at the same level or reduced. However, this period is marked by both volatile and record commodity prices, but the government was not able to capitalise upon these record prices even though revenue was scarce. Therefore, because the government had built a support base that depended on the redistribution of revenues, and as the government could not influence the producers to contribute further to this vision of a more interventionist state, the government had trapped itself when macroeconomic pressures challenged the viability of this model. I argue that with all the discussions around tax, the fiscal deficit was increasing, whilst the relative weight of export taxes was decreasing. This placed the government in an increasingly difficult and contentious position.

The Abatement of the Tail Wind

After 2008, the macroeconomic challenges that had started to gather pace became more problematic, creating social and political tensions and challenging the sustainability of the statist model that characterised Kirchnerist governance. It tells the story of a deteriorating macroeconomic environment, and it is through this environment that I explore policy implementations that exacerbated the already contentious structural relationship between the government and actors in the rural sector. I want to explicitly draw attention to the fact that policies emblematic of the vision of the state pursued by the Kirchners met an influx of macroeconomic factors that reduced the state's capacity to spend, leading to a social crisis that ultimately had an impact on tax questions and the government's ability to tax exports to fund the redistributive model.

Cristina Fernández de Kirchner began her second presidential mandate in a very strong position, she was re-elected in 2011, taking 54.11 percent of the vote. Her closest rival, Hermes Binner of the Socialist Party (*Partido Socialista*) obtained only 16.8 percent of the vote (Ministerio del Interior, 2011; Página 12, 2011). It was not only the popularity of the president and her policies that achieved this level of victory, but a weak opposition simultaneously attributed towards the scale of the re-election (Freytes and Niedzwiecki, 2016). This victory which represented the highest vote share since the return of democracy in 1983 should have

given the president a strong mandate to push forward with tax collection and redistribution. However, the government was unable to persuade the rural producers to contribute more towards its vision of an interventionist state. I argue that whilst the government had already lost legitimacy — to increase taxes over the rural producers — in 2008, the deteriorating macroeconomic environment and the continuation of government spending on welfare and subsidies converged to exacerbate this historically contentious relationship even further. To argue this, I begin by drawing on macroeconomic indicators which highlight the pattern and trajectory of a deteriorating economic landscape which lays bare the extent of the problem. This sets the context for the chapter which allows me to explore the perspective of entrapment during this period.

Table 17: Key Economic and Social Indicators (2011-2015)

	2011	2012	2013	2014	2015
GDP (USD) (2010 = 100) Source: World Bank	125	128	130	124	140
GDP growth increase (%) Source: World Bank	6.0%	-1.0%	2.4%	-2.5%	-5.4%
Poverty rate Urban Conglomerates (% population) Source: INDEC²	6.5%	5.4%	4.7%	-	-
Poverty level (%) Source: Universidad Católica Argentina¹	24.7%	26.2%	27.4%	28.7%	29.0%
Inflation (%) Source: INDEC	9.5%	10.2%	10.6%	23.9%	14.3%
Inflation (%) Source: Argentine Congress	22.6%	25.2%	28.3%	38.5%	26.9%
Unemployment (%) Source: ILO	7.2%	7.2%	7.5%	7.3%	7.8%
Current Account Balance (% of GDP) Source: World Bank	-0.4%	-0.2%	-0.7%	-1.7%	-3.0%
Fiscal Account Balance (% of GDP) Source: CEIC, OECD	-1.4%	-2.1%	-1.9%	-2.4%	-5.1%
Total Tax Revenue (ARSm) (2010 = 100)*	131	166	209	285	375
Total Tax burden (% of GDP) Source: OECD	29.3%	30.6%	31.2%	31.1%	31.5%
Emergency Tax burden (% of GDP)*	4.9%	4.7%	4.2%	4.4%	3.4%
Emergency Tax (% of total tax revenue)*	16.7%	15.5%	13.0%	13.7%	11.1%

*Source: *Ministerio de Hacienda, Argentina*

¹ Poverty level based on the ability to purchase a basic basket of goods

² INDEC did not provide poverty figures to the World Bank in 2014-2015

Table 17 traces the trajectory of key macroeconomic indicators and the decline in some of these data are what I will highlight later. However, what is clearly shown is that in 2012 — the first full year of the president's new mandate —, economically, this period would be more challenging for the incoming president to continue to pursue the governments statist model. It

represented a point of departure from when President Fernández de Kirchner assumed the presidency in 2008. Unlike in 2008 when GDP was growing at 4.06 percent, now, economic output was contracting. GDP growth as shown in Table 17 had already entered negative growth and it would continue an erratic pattern throughout the mandate (World Bank, 2021). This inconsistent growth pattern was accompanied by a consistent rise in the fiscal deficit from -2.5 percent to -5.4 percent GDP in 2015, clearly demonstrating that government spending was outstripping available resources (Thomas and Cachanosky, 2016). Furthermore, this was accompanied by a steady rise in the balance of current account deficit, meaning that Argentina was importing more goods than it was exporting, and therefore its trading balance was diminishing. This is an important point because when imports are outstripping exports, the level of hard currency that is held will be diminishing as imports are paid for in \$USD (Feldstein, 2002).¹⁰¹ This creates a situation whereby the government could struggle to finance key imports, like energy, if it does not have the hard currency to cover the cost of these imports, a point which I shall engage with in greater detail, later in this chapter. All of these deteriorating data converged and pointed towards a worsening economic environment with greater challenges for the government to pursue its model of redistribution. In short, the economic tail wind and commodity boom that had been prevalent in Argentina, post-crisis, was abating, and the fiscal space to continue funding the Kirchnerist statist model was diminished. Therefore, funding its continuation was becoming more problematic.

Another important indicator in Table 17 is the evolution of the level of inflation. The growth in inflation measured by both INDEC and Congress corroborated the fact that the inflationary position was worsening with general prices rising — peaking in 2014 at 38.53 percent and 23.9 percent — and negating the impact of welfare payments. Thus, necessitating further increases to welfare payments to keep ahead of, or at the same pace as the price rises. This would ensure that welfare payments would have the same economic impact for recipients during periods of high inflation as in times of lower inflation.¹⁰² Furthermore, the disparity between the figures that were provided by INDEC and by Congress were becoming greater (Wylde, 2016; Daniel and Lanata Briones, 2019), and this was fuelling contention which in turn was creating a growing mistrust in the official agency's figures (interview Stang, 2019).

¹⁰¹ This has been a long-standing challenge in Argentina and the same one that created limitations to the industrialisation process in the fifties as the first Perón government struggled to purchase imports to facilitate the process of industrialisation due to low levels of hard currency (Skidmore, 1978).

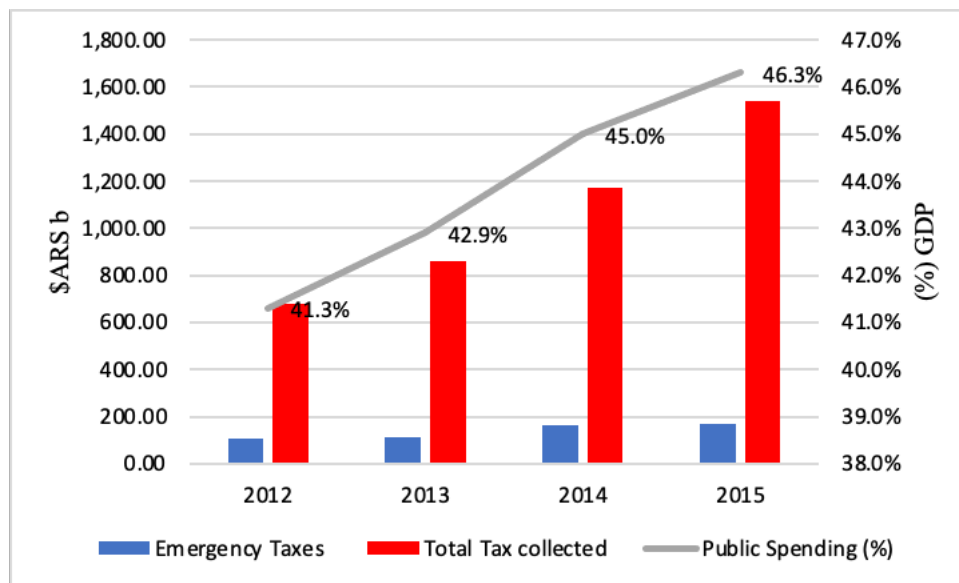
¹⁰² 2011 onwards, Congress has produced its own inflation figures comprised by figures from eight independent consultants (Wylde, 2016).

Whilst I will engage with this perspective in greater detail later in the chapter, what is important to highlight here is that fiscal space was reducing with the growing inflation.

However, even though inflation and the current account deficit were both on the rise, government spending was also increasing and while the effectiveness of the spending was diminished because of inflation, the percentage of emergency taxes that was being collected fell to its lowest share of total tax take since their reintroduction in 2002. This level fell by 4.4 percent in this period (2012-2015) alone, with export taxes falling by 14.8 percent even though the price of soybeans reached record highs of \$USD684 per ton in 2012 — before quickly falling again after this high (Cboe, 2020). Furthermore, a currency devaluation implemented in 2014 was not accompanied by an increase in export taxes which was the first time in Argentine history that this tax to offset the increased export capacity and inflationary pressures did not happen. Moreover, the composition of total exports clearly demonstrates that there was strong growth in primary commodity exports between 2011-2015. The percentage of primary commodities that were exported from Argentina in 2011 was 52.5 percent, this had reached a level of 62.7 percent by 2015 (CEPAL, 2017). There was a clear fiscal need, and export levels were growing, but the state didn't tax these more. The fact that the government didn't increase export taxes, suggests that the government didn't have sufficient political support to tax the producers further. They lacked the legitimacy to do this in the eyes of the producers, this had deteriorated since the 2008 revolt (Interview Freytes, 2019). This loss of support from the producers can be seen with the drop in level of export taxation collected as a percentage of tax take. This drop occurred at a time when increased resources were required to fund an expansive state spending programme, fiscally, this would become problematic for the government.

Table 17 clearly shows that even though state spending was increasing, and overall taxation was rising, the level of emergency tax as a share of tax collection was falling. This started to reveal some tensions within the statist model and pointed towards future limitations when continued state spending without the revenue to fund this, would fiscally trap the government see Figure 8. To support this argument, I begin by highlighting that the maintenance of some and the expansion in scope of other key welfare policies during this period would increase the pressure on the fiscal balance and eat into deteriorating currency reserves and thus deepen the crisis.

Figure 8: Total and Emergency Tax Collection and Public Spending (% GDP) (2012-2015)



Source: Ministerio de Hacienda (2020). Graph by Author.

Captured by Taxation: Expanding Fiscal Commitments under Kirchnerismo

In this section I show that redistributive policies pursued by the government were adding to this generalised conflict about redistribution. The level of public spending did not diminish during this period of Kirchnerismo. Even through economic indicators were worsening, the level and scope of some key redistributive policies were augmented whilst the overall cost of these to the government increased further, due to growing inflation. However, as the government had a built a support base of voters that relied on revenue redistribution, social economic aspirations had increased with this. Therefore, politically the withdrawal of these would be very difficult, what Bril-Mascarenhas (2015) called the ‘policy trap’. One of the costliest of these policies was the continued utilisation of ‘emergency’ transport and energy subsidies, which would detrimentally impact both the fiscal and trade accounts and the measures that the government implemented to address this deteriorating position, paradoxically would cost the government more.

The Increasing Challenges of Subsidising Energy and Transport

The subsidy programme implemented in the aftermath of the 2001 crisis, had, up until this point, been a key area of public spending. However, in late-2011, President Fernández de Kirchner attempted a policy of fiscal tightening through the withdrawal of price controls on utilities and transport. This was part of a raft of policies aimed at reducing fiscal expenditure presented as a process of ‘fine tuning’ (*Sintonía Fina*) rather than cuts (Clarín, 2012). This was a programme aimed at ameliorating the general macroeconomic environment in Argentina — targeted at gradually reducing the price controls on utilities and transport. It was the plan to implement energy subsidy reforms through a mechanism which would ask for citizens’ voluntary withdrawal from the subsidy payments programme. As this policy wasn’t finally imposed on citizens, it highlights that the government did not have the political support to withdraw the subsidies, and it was reticent about initiating policy reforms which would undoubtedly be unpopular and would paradoxically negatively affect those in the urban areas that were the traditional core supporters of the FPV. The challenge for the government was to manage the harsher fiscal environment without reducing its core welfare payments, a task which would be very complex as supporters of the government had come to rely on the revenues that the government was redistributing.

Initially implemented at a moment of severe economic emergency, the state assumed an interventionist role through price controls on energy and public transport costs, post-2001 crisis. However, this level of state intervention through energy subsidies actually grew throughout the first and second Kirchnerist mandates which coincided with the period of strong economic growth 2003-2008 (SGE, 2019). The subsidies rose from a level of 0.1 percent of GDP in 2001 to 1.7 percent of GDP in 2010 (Vagliasindi, 2012). The greatest increase in the level of subsidies came in the first year of President Fernández de Kirchner’s mandate whereby the level jumped by 0.6 percent of GDP from 2007-2008 following tariff reforms (ibid.). The continuation of these policies and the deepening of the level of subsidies demonstrates an enhanced role for the state through emergency policies, even when the emergency had diminished. Therefore, following the president’s landmark re-election, the suggestion that the government would withdraw these controls — through a rollback of state subsidies — would actually manifest in the state having a lesser role in the economy, and being less interventionist. The withdrawal of subsidies to banks and industry was announced in late-2011. It was then projected to be rolled out the wealthier suburbs of Buenos Aires in 2012, before encompassing other residents which would include the core supporters of the government.

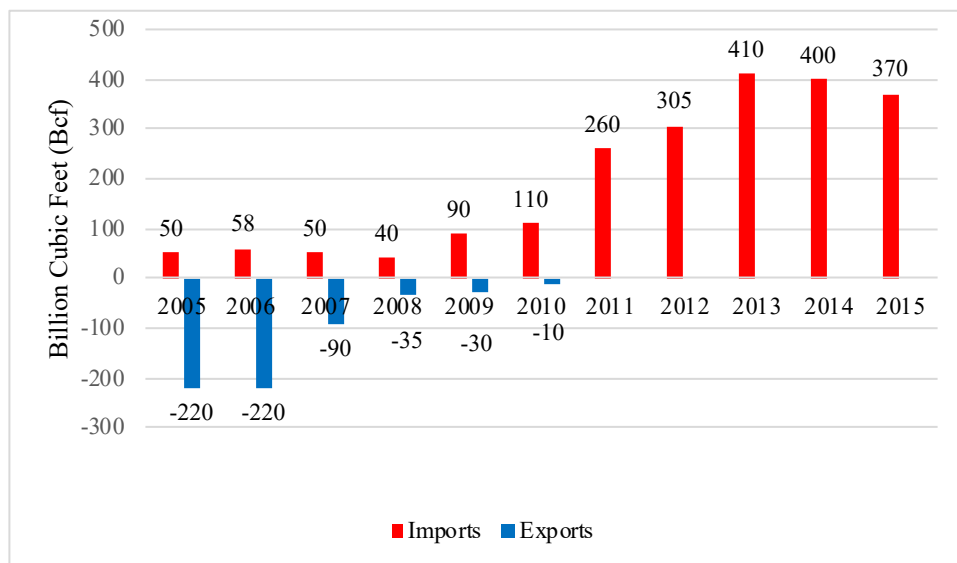
The government had also planned to rescind the transport price controls that had been implemented as a response to emergency in 2002. Initially, transport subsidies were withdrawn in January 2012, resulting in a 127 percent price increase per transit (\$ARS2.50) on the Buenos Aires Metro (*Subte*) and the plan floated by the government would target gas and electricity bills that have been consistently around one-third of the bills that had been paid in other Latin American countries since initiating the price controls in extremis (Moffett, Parks and Turner, 2012). However, this plan to reform energy and transport prices which would have reduced state intervention in the economy, was not finally implemented. Some observers remarked that following the 2008 rural revolt, it was an argument that the president did not want to enter into — the government did not have the political support to carry out the reforms (interview CEPAL A, 2019). The World Bank estimated that the government spent \$USD5b in Buenos Aires on transport subsidies in 2012 alone (Avner et al., 2017). Similarly, while urban bus and train tickets became increasingly cheaper due to inflation, the costs within the sectors increased substantially, not only due to energy costs but also due to wage improvements (Bril-Mascarenhas and Post, 2015). Through its attempt to instigate a programme of fiscal consolidation vis-à-vis the economic ‘fine tuning’, the government acknowledged that the cost of the subsidies was becoming too expensive. But the fact that ultimately this was repealed because of the contestation that the policy engendered, shows both that redistributive policies continued to be polemical, and that the government was trapped in this spending cycle, a cycle that was shoring up the governments core supporters:

The government had trapped itself; it had created a base of voters that depended on the resources that were redistributed to them. The Kirchners had been very generous in terms of spending and it would have been very unpopular to reduce or remove the subsidies (interview Bergman, 2019).

In place of lifting price controls on energy, the government implemented a plan which enhanced state intervention in the economy through the re-nationalisation of the largest oil and gas producing company in Argentina; YPF (*Yacimientos Petrolíferos Fiscales*). YPF had been originally privatised during the Presidency of Carlos Menem (1992) when the Electricity Regulation Act sought to stimulate competition and to benefit consumers in terms of quality and service (Vagliasindi, 2012). However, now, in place of lifting the price controls, the government sought to renationalise YPF as a pathway to address the increased prices that it was paying to import energy, a cost it blamed on a lack of investment whilst in private

ownership. The energy price controls which had been in place since 2002 had been a major attributing factor to lower levels of investment in the Argentine energy sector by Spanish company REPSOL, who had owned the controlling stake in the YPF until the re-nationalisation of the company in 2012 (ibid.). This lower levels of investment in the energy industry ultimately shifted Argentina from a net exporter of natural gas in the early-2000s, to a net importer of energy by 2011, the trajectory of this shift can be traced in Figure 9.

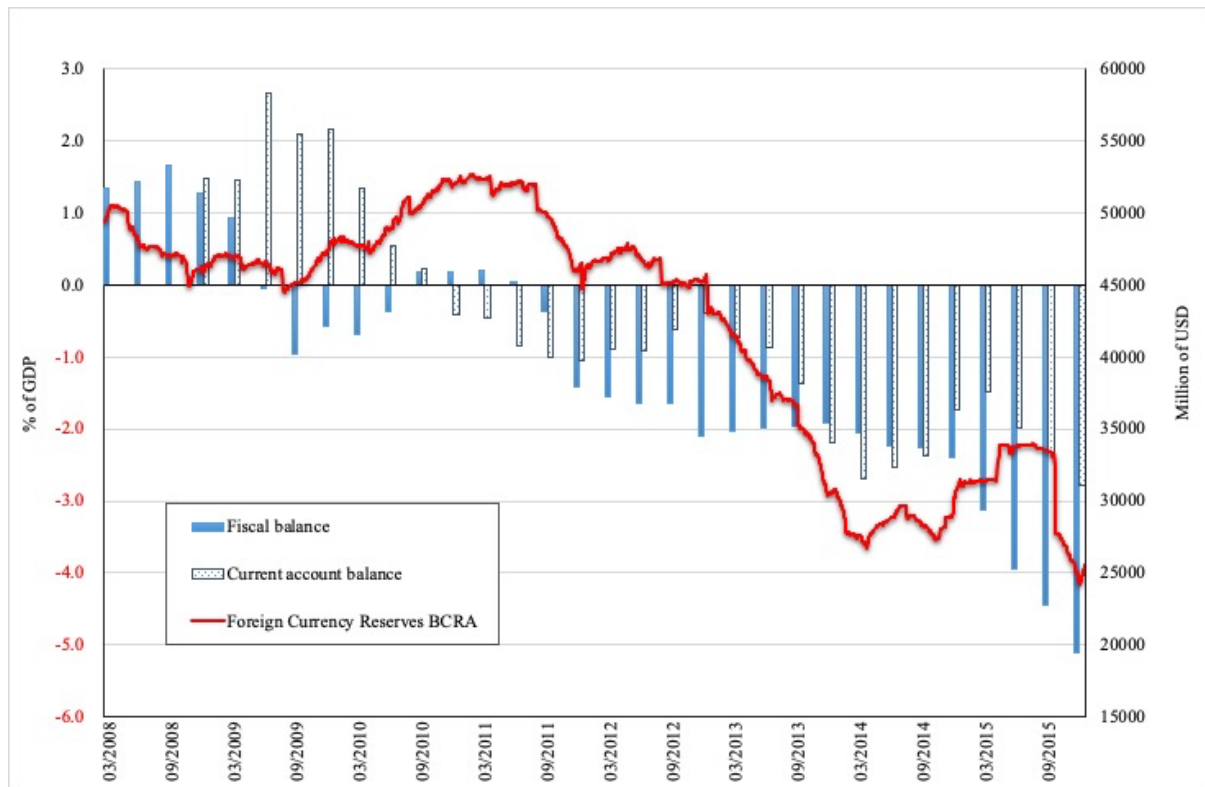
Figure 9: Natural Gas Imports and exports (2005-2015)



Source: Ministerio de Energia y Minería (2021). Graph by Author.

From 2005 to the end of the Kirchnerist period, oil production in Argentina fell by 30 percent and between 2004 and 2013, the production of natural gas fell by 20 percent (Kulfas, 2016). This shift added further fiscal pressure on to the Argentine government as the cost of importing energy between 2010 and 2013 (including natural gas from Bolivia) was estimated to be \$USD22,135m (ibid.). As the imports of energy are paid for in hard currency, this also attributed to a deteriorating level of Argentine currency reserves. Figure 10 clearly shows the rapid decline in hard currency reserves from 2011 onwards when imports of gas were growing, and consumption surpassed domestic production as seen in Figure 11. What this shows is that importing energy was pushing Argentina into a deeper trade balance crisis which was eating into its level of currency reserves.

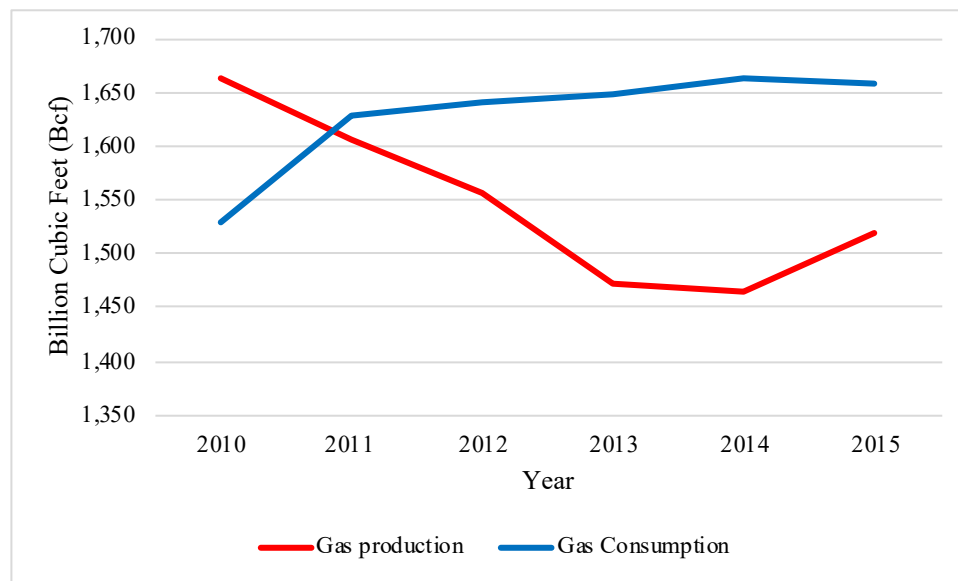
Figure 10: Currency Reserves and Fiscal and Current Balances (2008-2015)



Source: BCRA (2021). Graph by M Barlow and A Peña.

Exponential growth in energy consumption had been driven by growing employment and expanding industrial output since the 2002 crisis. Electricity demand had doubled between 2003 and 2013, consumption increased from 86 440 to circa 130 000 GWh per year. This growth in demand and consumption was underpinned by the cheaper energy through price control mechanisms and subsidies that were first implemented in a crisis situation. The price of electricity pre-crisis was \$USD0.07 per KWh (kilowatt-hour), following the emergency reforms, this dropped to \$USD0.02 in 2002. By 2009 the continuation of emergency governance through subsidies meant that the price of electricity had only reached \$USD0.035 (Vagliasindi, 2012). Thus, demonstrating the level of burden that was placed on the Argentine government to continue with costly emergency policies when the economy had left the emergency period behind.

Figure 11: Gas Production and Consumption (2010-2015)



Source: Ministerio de Energia y Minería (2021). Graph by Author.

The re-nationalisation of YPF was an attempt to consolidate the role of the state in the economy and re-ignite energy investment and thus reduce the levels of imported energy (Wylde 2016, p. 335). This enhanced role for the state was costly and feeding into a more generalised conflict because the government was initially placing more burden on the state through costs to re-nationalise the controlling stake. However, demonstrating a point of departure from earlier major policy implementations, this reform was not instigated through executive decree. Instead, President Fernández de Kirchner presented legislation to the Senate who approved the bill by 63-3 to re-nationalise a 51 percent stake in YPF from REPSOL. This cleared Congress following the Chamber of Deputies who voted emphatically by 207-32 to uphold the bill in April 2012 (Clarín, 2012a).¹⁰³ The level of congressional support for the expropriation of the controlling stake in YPF — which effectively reversed one of President Menem’s earlier privatisation policies — demonstrates that there was a high level of support in Argentina for state-owned enterprises (Lupu, 2016). Moreover, this shift inextricably links to the wider debate between the state and free-market policies and it underscores the opprobrium that is felt by many Argentines who attribute the privatisations of the 1990s, with the growing level of debt that eventually led to the 2001 default (Wylde, 2016). Whilst the renationalisation of the YPF was a move that enhanced the state’s role in the energy sector and the wider economy,

¹⁰³ Given the strong presence the company retained in the national collective imaginary, this decision was widely popular and was celebrated as contributing as a way to recover part of the national patrimony, lost during the Menem years.

because of growing inflationary pressures, deteriorating fiscal and current account balances, and falling currency reserves, the financing of this policy — including the exploration and extraction of the recently discovered shale gas reserves at Vaca Muerta — would become challenging and problematic for the government.¹⁰⁴

Whilst the expropriation of REPSOL from its YPF assets was an attempt to ameliorate the increasing pressures on the fiscal and trading balances, paradoxically, it would add to these pressures because of the associated financial costs of the deal. Economy Minister Axel Kicillof (2013-2015) who had overseen the renationalisation of YPF in his former position (2011-2013) of Secretary for Economic Planning and Development (*Secretario de Política Económica y Planificación del Desarrollo*), was responsible for the compensation negotiations that accompanied the political fallout of the renationalisation of YPF (Wurgarft, 2012). As part of wider debt negotiations with ‘holdout’ creditors through negotiations with the Paris Club of creditor nations, Minister Kicillof came to an agreement in November 2013 with REPSOL on a deal that represented \$USD5b of 10-year corporate bonds — half of the amount of compensation that was originally sought by REPSOL (Mander, 2014).¹⁰⁵ These negotiations preceded the culmination of the long-outstanding debt negotiations with the Paris Club of creditor nations which resulted in agreement on the terms to pay back \$USD9.7b of outstanding debt over a period of seven years, which would begin in July 2014 with a payment of \$USD650m, before a second payment of \$USD500m was due in May 2015 (ibid.). Although these payments would add to the already increasing pressure on the fiscal balance, they were essential to try and reconstruct investor confidence in Argentina and to try and attract foreign investment (Hébert and Schreger, 2017). All of this was important as it was at a time when hard currency was required as the dollar reserves were being eroded by the high-level of imports, including energy, a pattern that can be seen in the negative distortion of the current account balance in Figure 10. However, it was not only through price controls on energy and transport where the government of Cristina Kirchner was generously distributing, the president’s signature AUH policy would also be expanded during this mandate, adding to the government’s fiscal burden of obligations.

¹⁰⁴ The world’s third-largest unconventional hydrocarbon reserve was discovered at Vaca Muerta (Manzetti, 2016).

¹⁰⁵ This renationalisation of YPF had international connotations as the stake in YPF that was being expropriated was Spanish owned. This policy attracted heavy criticism from the Spanish Prime Minister Mariano Rajoy (2011-2018), who labelled the reform as nothing more than resource nationalism (Lucas, 2012). Criticism was also echoed by the European Union and the G20 who argued that this move went against assurances that Argentina had offered to promote transparency and fight protectionism (Clarín, 2012c).

Universal Child Benefit (Asignación Universal por Hijo)

One of the biggest expansions to welfare during this period was the AUH, a key President Fernández de Kirchner policy that was initiated by presidential decree in November 2009 and expanded during the final Kirchnerist mandate. The design of the policy was an attempt to widen the scope of the social security programme through ensuring that the children of parents who were not employed in the formal sector, were also captured and covered by the policy (Murillo, 2015). Payments were initially made under the plan of \$ARS180 per month and reached nearly four million children (Grugel and Riggiozzi, 2012).¹⁰⁶ This payment level continued and progressively increased over the remaining period of Kirchnerist governance. Table 18 shows the evolution of the social security programme whose final payment figure reached \$ARS837 in June 2015 (Di Santi, 2015). This represented a 30 percent increase from the previous level of payment in 2014.

Table 18: Evolution of Universal Child Benefit (2009-2015)

Year	2009	2010	2011	2012	2013	2014	2015
Monthly amount \$ARS	180	220	270	340	460	644	837
Increase (%)		22	23	26	35	40	30
Monthly \$ARS Real	180	179	178	181	196	201	207

(CIFRA CTA, 2020)

The high level of annual increases (which were between 26 percent – 40 percent (2012-2015)) for this programme cannot be explained wholly by commitment to income redistribution. These increases were also an attempt to ameliorate the effects of inflationary pressures that were eroding the payments. The table highlights both the nominal rises and then the real amount of the welfare payments when adjusted for inflation at the prevailing rate. In short, the welfare payments were costing the government more, and this was increasing pressure on an already problematic balance of fiscal payments position which was reducing the fiscal space available to the government to continue its programme of welfare redistribution.

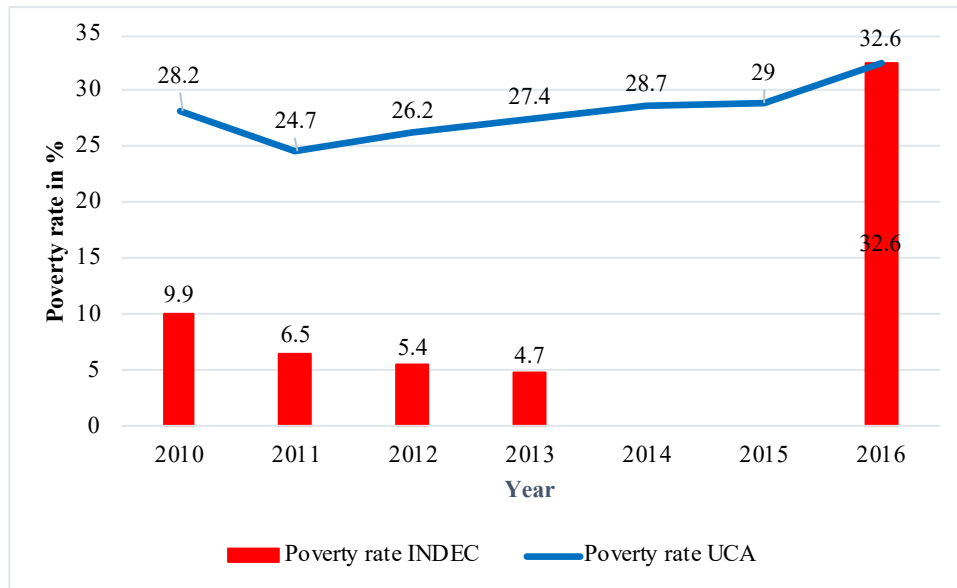
This iteration of the universal child benefit programme was initiated in 2009, it modified the scope and level of previous plans (*planes*) that have been engaged with in Chapters four. And they were successful in contributing towards reducing the high level of

¹⁰⁶ Decree No 1602/09 (infoLEG, 2021).

poverty. By 2011 — through welfare and increased employment —, it was estimated that poverty had been reduced from a level of 57.5 percent in 2002 in the aftermath of crisis, to 6.5 percent in 2011 (INDEC, 2011). However, as previously highlighted, because of the accusations of government intervention and data manipulation into the INDEC, post-2007 these figures should be treated with some caution (interview Stang, 2019). As pointed to in Chapter five, in response to this opprobrium levied at the official statistics agency, from 2010 onwards, poverty figures were simultaneously published by the UCA which challenge those of the official government figures (Salvia and Vera, 2016).

These figures are based on urban samples and measured by the capacity of individuals to purchase a basic basket of goods. These figures do not corroborate the government's position that post-2010 that there was a continued reduction in the poverty level (*ibid.*). These contradictory data are highlighted in Figure 12 and importantly they not only show asymmetries in the level of the data series, but they do also clearly highlight a pattern of continuous growth in the level of poverty, post-2011. The level of poverty starts to increase in a steady growth trajectory to reach a level of 29 percent by 2015. What all this translates into is that the government was spending more through welfare payments as clearly demonstrated in Figure 4 (see Chapter four) — the level of public social spending increased from 25.6 percent of GDP in 2011 to 30.3 percent of GDP in 2015— and as highlighted in Table 17, even though the cash transfers were becoming more costly, the impacts of these payments were not manifesting in a reduction in the poverty level, highlighting a clear tension in the model.

Figure 12: Argentine Poverty levels % of population (2010-2016)



(Salvia and Vera, 2016; INDEC, 2020)

During this period, welfare payments costs were outstripping collection, and yet the policies continued to play a prominent role in the Kirchnerist spending model, even when the export taxes that had supported earlier social redistribution programmes were now diminishing. The continuation of this policy whilst funding streams reduced could demonstrate the personal importance to the president of widening the child benefit programme to families not covered by earlier support plans (interview CEPAL B, 2019). It was a signature policy that the president implemented within the first year of assuming office and is one that fits squarely and highlights saliently the ‘redistributive generosity’ of Kirchnerismo. It is a policy that continues the pattern of spending that was seen in the post-crisis government of Néstor Kirchner and importantly, it appears to ‘speak directly to the Kirchner’s core supporters’ (interview Bergman, 2019). The deteriorating fiscal balance did not prevent the government from implementing further welfare reforms. Additional redistributive measures were implemented through an additional social security programme; Progress (*ProgresAr*) was implemented in January 2014 guaranteeing \$ARS600 for unemployed or informally employed 18-24’s to complete secondary education and support this demographic through university (LA NACION, 2014). All of this in the context of a deepening fiscal deficit (see Figure 10), falling currency reserves and growing inflation meant that both the sustainability of these policies was becoming fragile, whilst the effectiveness of the programmes was diminishing.

Later in this chapter, I will engage with measures that were implemented in an attempt to address some of these challenges. However, having explored key redistributive policies that were exacerbating both the fiscal and current account balances, what I want to take forward into the following section is that this situation was compounded by the persistent and growing rate of inflation. A rate that would become more problematic throughout this mandate. Not only the phenomena of inflation itself, but the continuation of intervention into the INDEC meant that the figures that were supplied by the official statistics agency were regarded in some circles as untrustworthy, unreliable and in some cases, manipulative. Especially when they were accompanied by measures that were implemented to control the high inflation that paradoxically, INDEC was posting wasn't there, or was at a much lower level.

Contracting Fiscal Space: Inflationary Pressures and Currency Challenges

In this section I shift the focus from the policies themselves to the macroeconomic pressures in Argentina during this period which would impact upon them and the actions taken to address them. This, in turn translated into greater pressure on the government's commitment to redistribution and made funding public expenditure on welfare more difficult. As public expenditure costs rose, so opposition to the government, especially from non-beneficiaries of social programmes, increased. In this section inflationary pressures and the policies that were implemented to address these pressures sit squarely within a debate about whether the tax that had been used to help fund redistribution had trapped the government in a cycle whereby voters relied on the funds but financing this was becoming increasingly difficult. Furthermore, inflationary pressures and currency controls would crystallise opposition towards the government but an opposition that would transcend traditional boundaries to envelop the middle classes.

Rising Inflationary Pressures and Validity Challenges

The level of inflation as I have already highlighted was high; it was both costing the government more to implement redistributive policies and they were not having the same impact as their value was being eroded. Even when taking into account that there were two series of data — produced by INDEC and the National Congress — they both show that inflation was growing during this period and both confirm that it peaked in 2014 at 23.9 percent and 38.5 percent respectively. Placing this in context, the inflationary level post-crisis in 2002

was only 2.5 percent higher (41 percent) than what the Argentine Congress was publishing as the inflationary figure in 2014 (Wylde, 2016). This level was then reported by both institutions to remain high but drop by around 10 percent in 2015 to 14.3 percent and 26.9 percent respectively. This high level of inflation increased pressure on the fiscal balance whilst government spending was augmented to try and keep pace; as demonstrated through the payment increases in the Universal Child Benefit programme (Manzetti, 2016). When inflation is taken into account, Table 18 clearly demonstrates the pressure that inflation imposed on this programme. A 40 percent nominal increase between 2013-2014 was implemented which equated to a real increase for recipients of 2.5 percent during the same period—\$ARS184 nominal rise translated to \$ARS5 real rise (CIFRA CTA, 2020). Thus, demonstrating that the payments needed to be increased to keep pace with general price rises and because the programme was more costly to the state, this increase would further exacerbate the conflict that surrounds the cash transfer programmes and general welfare redistribution, because in part, they were financed by emergency taxes — which still represented over 11 percent of total tax collection see Table 17.

Furthermore, the increase in the rate of inflation coincided with the rise in the level of poverty. When inflation started to grow more strongly from 2011 onwards, the poverty rate started to increase in line with this. These data show that the programme was costing the government more each month in payments which was adding to growing fiscal balance pressures and the effectiveness of the redistributive model is now coming under increasing pressure as the poverty level is growing along with inflation. However, aside from the contentious level of inflation itself, the validity of the data presented by INDEC also fed into this contention. The process of institutional politicisation began in the first period of Kirchnerismo through the removal of Graciela Bevacqua, Director of Consumer Prices (*Indice de Precios al Consumidor (IPC)*) by executive decree (N. 100/2007). It was argued that this move contributed to institutional degradation through the way that the policy was implemented and the way in which figures were then perceived (LA NACION, 2015). Opponents of the Kirchners have labelled this intervention as institutionalising lying for reasons of re-election purposes, to challenge criticisms of management of the economy and for reasons of making international borrowing cheaper through massaging figures (Feldstein, 2017). This debate moved to an international platform when Argentina became the first country in history to be censured by the IMF for not providing data on inflation and economic growth — a process that can lead to the withdrawal of loan rights (BBC, 2012).

The differences between the two inflation data sets would represent an area that would become a fault line for opposition party attacks and the figures would become entrenched in growing political polarisation around Kirchnerismo (Daniel and Lanata Briones, 2019). Although the validity of the official inflation figure — like the poverty index — are a matter of fierce debate, what both sets of figures demonstrate, however, is that there was an upwards trajectory of inflationary pressure, post-2011, that exacerbated other government policies. One of these policies was the foreign exchange restriction controls that had been placed on foreign currency in an attempt to control currency appreciation, capital flight and to try and maintain the purchasing power of the peso, which was being eroded by increased imports which can clearly be seen in the negative current account balance and falling currency reserves see Figure 10.

Currency Controls: Necessary Policies and Wider Contention

Immediately after the emphatic electoral victory of President Fernández de Kircher on 31st October 2011, the government implemented wide-ranging currency controls. These controls were in part implemented as an attempt to address increasing pressures on the purchasing power of the peso (nominal exchange rate) which had been detrimentally affected by a downward turn in demand of Argentine exports — as a result of the 2008 global financial crisis. This combined with the requirement to import more energy had eroded Argentina's current account surplus — between 2003-2008 growing energy consumption fuelled by subsidies drained the foreign-currency reserves by a multiple of eight, in dollar terms (SGE, 2019). Growing inflation coupled with a drop in the nominal exchange rate, raised Argentina's real exchange rate and eroded Argentine competitiveness which, in turn resulted in the first current account deficit under Kirchnerist rule of 0.4 percent of GDP in 2011. This turn of events was as symbolic as it was economically significant. The Kirchners had pointed to constant current account deficits during the nineties as being a cause and a driver of international debt accumulation which resulted in the debt default in 2001 (Wylde, 2016). Therefore, currency controls were an attempt to address the current account deficit.

The currency controls were operationalised through an exchange clamp (*cepo cambiario*) which was implemented by the AFIP on the 28th of October 2011. This was underpinned by General Resolution 3210/11 (InfoLEG, 2021). This resolution placed controls on the level of foreign reserves that could be held in both a domestic and business capacity. Authorisation which was sought from the AFIP was dependent on the company's balance sheet

or financial position of the individual. However, there was a great deal of ambiguity around how this mechanism worked, and it was never formalised into a concrete set of policies. What was generally understood, at this point, was that up to 40 percent of an individual's salary could be utilised to purchase foreign reserves. Controls deepened on the 9th of February 2012, from this date, businesses that required dollars for import payments or money transfers required approval from the BCRA. Enhanced state intervention through capital controls increased following the announcement by the Secretary of Domestic Trade, Guillermo Moreno (2006-2013), that businesses who request a dollar should present an import compensation plan of how, through exports, they would earn a dollar (LA NACION, 2015a).

It was not only businesses that bore the brunt of enhanced controls which coalesced around foreign exchange restrictions. In 2012, the policy would be modified a further seven times, some of which would envelop the Argentine middle classes, which would result in a rejection of the policies. The salary threshold for foreign exchange purchases was reduced from 40 percent to 25 percent on 9th May 2012 and on 15th June 2012, the AFIP prohibited any Argentine from purchasing dollars for savings. Becoming law on 5th July 2012, the only permissible reasons to acquire dollars were now: travel and tourism, payment and collection of merchandise, services, income and capital, some mortgages and donations to government agencies. These changes whilst effectively trying to restrict domestic dollar hoarding, had simultaneously exacerbated tensions with some sectors of the Argentine middle classes. Prices were distorted with markets adjusting to the unofficial exchange rate created by black market currency, which became known as the *Dólar Blue* (Hébert and Schreger, 2017). Foreign travel was now more expensive. Furthermore, the currency restriction coupled with the rising levels of inflation, detrimentally affected personal savings, in a country where the U.S. dollar is widely considered an 'inflation-proof store of value' (Wylde 2016, p. 336). Whilst the government sought to curtail the level of foreign currency held by businesses and individuals, it needed to increase its own reserves to be able to continue to provide the energy subsidy programme. Therefore, in an attempt to increase the level of U.S dollars available to the Argentine government, a second iteration of the money laundering law was implemented to repatriate capital held offshore.

Attempts at Repatriation of Capital

The reimplementation of the government's money laundering law *ley de blanqueo fiscal* was initiated in 2013 (AFIP, 2017). This time the aim of the policy was not seeking to raise the level of pesos through taxation (as was the case in 2008), the government was attempting to augment the amount of dollars in the economy, as this was needed to finance amongst other policies, the import of energy. The currency controls which were implemented to stop the process of draining reserves, which indirectly shored up the value and the of the peso, were initiated alongside other policies whose design was a targeted attempt to ameliorate the quantity of hard currency that was held in Argentina. This was re-instigated to create a pathway through which capital (that had been held offshore) could be repatriated into the economy without any penalties for doing so. This was the second time that President Fernández de Kirchner's government had attempted this type of policy. The first attempt was initiated in December 2008 through Law 26476. As highlighted in Chapter five, by the end of 2009, it had yielded only modest results with the AFIP recording that \$USD4692m had been repatriated (AFIP, 2017). The second iteration of this policy was implemented through Law 26860 on the 3rd June 2013, this was then extended and modified a further eight times between 2013 and 2015 (Rodriguez and Caranta, 2015). However, during a press conference in 2017, the AFIP highlighted that between 2013-2015 the pathway to repatriate capital without fear of criminal proceedings only yielded \$USD2595m (AFIP, 2017).

The attempt to repatriate U.S. dollars had yielded less success (2013-2015) than the original implementation of the law in 2008. Pointing towards a lack of interest from those holding savings offshore and few options to push this policy, it yielded relatively small returns. Furthermore, when nuancing the mechanics of the law, this time there were key differences that highlight that the repatriation of dollars into the Argentine economy was the overriding rationale for the policy, and this was not simultaneously used as a tax collection mechanism, as was the case in 2008. The original policy offered a collection mechanism for tax owed to the state through payment plans, moratoriums and reduced interest payments on amounts that had been repatriated. Furthermore, by offering incentives for employers to register employees for tax, the government would collect enhanced tax revenue whilst affording employees job security. In this perspective, the 2008 law had a tax collection and tax regularisation objective

(Rodriguez and Caranta, 2015). The 2013 policy had no such tax objective. There were no special taxes applied to payment mechanisms and the objective of the policy was solely one of increasing the level of dollars in the economy. However, it was a policy that did not yield the amount of dollars that would ameliorate the deteriorating level of reserves.

What all this means is that when the redistributive policies that had been funded in part by export taxation (since 2003) became meshed with deteriorating macroeconomic indicators: growing inflation, twin fiscal and current account deficits and declining currency reserves, these phenomena created a situation whereby the government had become trapped by its own policies. Therefore, with an increasing fiscal deficit, raising export taxes would have presented a pathway to alleviate some of this pressure as a revenue stream to address the balance of payments deficit. However, paradoxically, taxes were not increased over the rural producers to try and address this deteriorating situation. A position that could show that the government lacked the political support — especially approaching an election year — to tax the producers further, and that the mechanism of increasing the tax and the export tax itself, had become problematic to the government. Even during the record soy harvest in 2013, whilst the government has entered its third year of a negative balance of payments position, the government still did not increase taxes (Bronstein, 2014). Since the 2008 rural revolt, the government had continued to pursue, and, in some cases, deepened the social redistribution agenda, which expanded the debate to more than just about export taxes, but into a generalised political conflict which I shall explore in detail in Chapter seven. However, this wider debate ultimately had an impact on the government's capacity to collect export taxes. In early-2015, the election year, export taxes were actually reduced for some producers.

Export Tax Fatigue

In this section I expand on the point that even when the government needed to collect more revenue, it did not raise taxes over the rural producers. I argue that even though money was scarce, and the rural producers lacked political influence to protect their interests, the government didn't push these taxes further. The president's emphatic electoral victory in 2011 had meant there would be a continuation of challenges through a lack of political representation for the rural sector. Representatives from major rural associations who had run for office in 2011, were unsuccessful, leaving the sector with no political representation (De Santis, 2011). This sector would remain an easier target for the government to extract revenues, it had lost

informal and personalised forms of access to government since the arrival of Kirchnerismo (Hora, 2010). Furthermore, post-crisis, there remained no institutionalised political mechanism through which the producers could object (Freytes and O'Farrell, 2017), 'the sector was an easy target' (interview Freytes, 2019). However, this political weakness was not capitalised upon through an increase in export taxes, this time, this was not the case, and when the government required revenue to fund its model, it did not push the producers further. There was a perspective that some departments of the rural sector started to regain some power when the general economic environment in Argentina worsened after 2013 (Freytes and Niedzwiecki, 2016).¹⁰⁷ This perspective can be seen through the fact that the government didn't have the legitimacy to tax the producers further, a point that can be clearly drawn from the change in composition of emergency taxes in 2013, this was the first year since 2002 that taxes on debits and credits surpassed the collection of export taxes \$ARS56,514 against \$ARS55,465 (Ministerio de Hacienda, 2021).¹⁰⁸ Further highlighting the loss of space that the government had to extract tax further, even though there was a real need for tax. Conversely, in an election year, these taxes would be reduced.

In 2014, the soy commodity boom that had been responsible for supporting increased public spending during Kirchnerismo up to this point would abruptly end with the price of soybeans dropping by 40 percent (World Bank, 2021; Freytes and Niedzwiecki, 2016). However, it was the smaller and medium producers that bore the brunt of this drop and were more adversely affected as the traders had mechanisms to pass on the impact of the export taxes, that were still in place. Therefore, there was a sense within the Ministry of Agriculture, that with the general drop in international commodity prices, there should be a drop in the export tax on the commodity, especially to the smaller sized producers who were being unfairly impacted by this policy. In an interview with the Secretary for Agricultural Emergencies (*Secretario de Emergencia Agropecuaria*) (2013-2015) who was part of Minister Kicillof's team and had a direct reporting line to the Minister's office (Bertello, 2015a), he highlighted that there was an understanding and a growing sense that 'there was inequality in the rural sector between small and large producers, with smaller producers being adversely affected through export taxation' (interview Rodríguez, 2019). This demonstrates that when the emergency measures that had been applied in a broad-brush fashion in 2002 were meshed with

¹⁰⁷ From 2013 onwards, the rural associations have had a political presence with the election of former FAA leader Alfredo Luis De Angeli as Senator for Entre Ríos (Senado Argentina, 2020).

¹⁰⁸ Producers were hoarding soybeans and the government could not persuade them to export the products whilst prices were low and whilst the taxes were used for welfare redistribution (Bronstein, 2014).

the 2008 conflict and falling prices in 2013, there was some acknowledgment that a segmented approach to the sector may be more sustainable.

The Ministry of Agriculture was responsible with the Ministry of Economy for implementing a mechanism to reduce the tax burden for small producers only. One of the architects of the mechanism first highlighted the difficulties in the implementation of a policy that is fair to all producers because they have different interests (interview Rodríguez, 2019). This fits squarely with Fairfield's (2015) argument where she highlights that because of the heterogeneous interests of the four main associations, there was fragmentation within the rural sector, which, as I have argued earlier, had hindered a cohesive response pre-rural revolt in 2008 (Fairfield, 2015). Smaller producers are concentrated in the most fertile provinces, therefore they extract more product per hectare and consequently are taxed more leading to lower margins overall (Rodríguez and Arceo, 2006; Cufre, 2007). The former Secretary highlighted that:

When it comes to tax, it is very difficult to produce a policy for those who have lots of hectares and those who do not. There are different factors involved and when prices started to fall in 2014, the smaller producers were at greater risk from these falls than the larger ones and we needed something to protect them (interview, Rodríguez, 2019).

Therefore, when prices of commodities began to fall, a subsidy programme was implemented to support producers of certain commodities.¹⁰⁹ This was implemented in 2015 through Resolution N. 126/2015 and applied solely to producers whose product level output was less than 700 tons annually (InfoLEG, 2021).¹¹⁰ This system (*retenciones segmentadas*) was designed by the Agriculture Ministry to try and re-engage with the smaller producers who had been those that had initiated the uprisings in 2008 (interview Rodríguez, 2019). This subsidy mechanism ameliorated the tax position of the corn and wheat producers so much that in 2015, they small producers ended up paying nothing as the international price of corn and wheat had dropped to such a level that no tax was levied on their products.¹¹¹ Furthermore, a medium sized producer would pay half of the tax that they had been paying previously. However, this segmented sectoral reform which was aimed at improving the relationship between government and producers to try and re-legitimise the tax, was implemented in a period when increased

¹⁰⁹ The resolution affected the fiscal position of soybean, wheat, corn and sunflower producers.

¹¹⁰ This was increased to 1000 tons with resolution 615/2015 in July 2015 (InfoLEG, 2021).

¹¹¹ Wheat prices fell from \$USD175 to \$USD127 and corn from \$USD298 to \$USD162 over the period 2013-2015 (Cboe, 2020).

finance was required to help fund government spending and therefore, this policy increased the pressure on the government's fiscal position. This presented the government with further balance of payment problems, a revenue stream which at its height had represented nearly 13 percent of total tax collection now represented less than five percent, and they were unable to push this sector further (Ministerio de Hacienda, 2021).

Conclusion

This chapter has analysed the changing macroeconomic environment that was prevalent post-2011 and has engaged with fiscal challenges that were growing in Argentina, during this final period of Kirchnerismo. This was a debate that was more than tax but a debate that had related to the exports taxes as redistribution was conflated with export taxes. Throughout the chapter I have argued that there was a growing weight of fiscal challenges during this period, and because of this, the continuation of key redistributive policies trapped the government in a fiscal cycle that would exacerbate the economic situation further. I have shown that even in times when the balance of payments in both the fiscal and current account indices were negative, the government did not seek to ameliorate this position by increasing export taxation over the agricultural producers — even when soy prices reached record levels. I have argued that the government lacked the producers' support to tax agricultural exports further, even when there was a requirement to increase the funds available to the government to finance the statist model.

This chapter explored the period and applied a political economy lens to increasing government challenges. It argued that positive economic phenomena that had been prevalent since Néstor Kirchner's presidency were no longer the driving force of the Argentine economy, the tailwind that had been pushing Argentine recovery forwards since 2003 had dissipated. The Kirchnerist statist model had continued during this period, but because of contingent macroeconomic factors including growing inflation, erratic commodity prices and outstanding debt restructuring, these impacted upon the capacity of the state to maintain its programme of redistribution. The negative fiscal balance showed that the government was spending more than it was collecting and public spending whilst welfare continued to increase during this period, however, the effectiveness of the model is drawn into question because indicators that help measure policy effectiveness were showing a disconnect between policy implementation and results—even though the policies were costing the state more because of growing inflation. Furthermore, these policies were having a detrimental effect on the current account balance

which was simultaneously in a negative position. The shift of Argentina from a net exporter to a net importer of energy attributed to a generalised situation whereby there was a growing balance of trade deficit. As imports are purchased in dollars, this produced a decaying situation in the amount of national hard currency reserves which added further pressures as there were less dollars to exchange for pesos to address the growing balance of payments deficit.

I have argued that this situation constituted a situation of fiscal entrapment because pressures were increasing on the capacity of the state to continue the model, but the government were in a situation that they had built up a strong voter base on the back of the redistributed revenues — the Kirchnerist voters relied on the revenues that had been distributed — and politically it would be very costly to rescind them. But the cycle continued because of inflation, this was driving the cost of the policies higher whilst reserves of dollars were falling which are traditionally a more inflation proof currency. Maintaining the policies was becoming more challenging because of the contingent factors that were adding downwards pressures on both balances. However, because of the deteriorating fiscal position and the fact that redistribution had, up to this point been funded by emergency taxes levied over the rural sector, the debate now became more than tax, but they had an effect on tax questions as this debate is rooted in the export tax revolt. Export taxes as a percentage of emergency tax burden fell below those of financial transaction taxes for the first time since 2000. There was a need for tax, but the government didn't tax the producers further, displaying an acknowledgment that following the 2008 revolt, they did not have the legitimacy to hike export taxes, even when commodity prices were high. The redistributive model that was being pursued is conflated with the export taxes and there was a fatigue around export taxes as a driver of the Kirchnerist state model, the government was trapped as it could not extract more money from the sector. Fiscal policy during this period became complicated, but it was not only entrapment in an economic sense, but in a political one. The politics of tax came to the fore and the fiscal entrapment manifested itself in a politically polarising sense as the government was being attacked by a strengthened opposition that had managed to re-group around policies that had been implemented to try and deal with this fiscal entrapment, which I engage with in the following chapter.

7. Political Polarisation and Unanswered Fiscal Questions (2011-2015)

Introduction

This chapter extends the tax and development discussion beyond tax. It does so to highlight how politically polarising and conflict-inducing tax can be, and, in turn, highlights how this polarisation can impact upon wider tax for development questions. The 2008 hike in export tax collection generated tensions between the government and the rural sector because of the change in rationale of these taxes, from one that responded to crisis, to a tax supporting a model of redistribution that affected the producers' interests. At this point, these taxes became crystallised in the political imaginary of both actors in support and against the taxes. However, the chapter shows that these taxes became politically polarising not only because they were the cause of conflicts over material interests. It was also because of opposing ideas of development and, more explicitly, the state's role in this development. The tax question sits squarely in the centre of the debate about government economic interventionism and about the role of the state and the market in national development. Therefore, this chapter situates this growing political polarisation around tax in a wider political economy of development debate (Sachs, 1989; Teichman, 2008; Burchardt and Dietz, 2014).

Export taxes were emblematic of the period of Kirchnerist governance, but they became viewed over the decade very differently by supporters and opponents of the Kirchners. They are simultaneously evidence of an extractive form of taxation for actors in the rural sector and conservative politicians, whilst also being symbolic of state funding of a generous programme of subsidies and welfare distribution for government supporters. Export taxes were politically polarising precisely because they aggravated and amplified wider socioeconomic tensions and conflict that then became embedded in debates about the Kirchnerist tax design. These socioeconomic tensions themselves added to growing political polarisation. Therefore, the debate spilled over from one centred on just tax, to become muddled in a wider political and economic debates where the statist model of Kirchnerismo itself became the source of conflict. Taxes became part of a bigger political cleavage that polarised politics and hardened positions.

This chapter, then, analyses how this political polarisation hardened positions for reasons including the fact that it solidified opposition to the government's model of the state-led welfare and development. And importantly, when it became fiscally problematic for the

government to sustain this model of state, this too polarised viewpoints. In other words, intense political polarisation wasn't only the result of Cristina Kirchner's determination to pursue an interventionist state model; it was also because the government could not sustain its model when macroeconomic indicators deteriorated. This also contributed to growing political and social levels of discontent.

Conflict around Ideas of Development: A Confluence of Factors Aggravated by Tax

From 2011 onwards, debates about the export taxes became relatively subsidiary. But the way that the variable tax regime had been rejected in 2008 had crystallised the perception of this tax design within Kirchnerismo itself. From 2008 onwards, these taxes became enmeshed with the Kirchnerist statist vision and sat squarely with opposing ideas of the state's role in development. I use this section to elaborate this argument and to explain why the change to the mobile export taxes in 2008 had the polarising effect that it did, when export taxes hadn't engendered this level of contention previously. Whilst export taxes had been utilised at different levels throughout the twentieth century and they had been contentious for actors in the rural sector, they had not managed to polarise society or engendered the level of response that they did in 2008. Kirchnerismo brought with it a vision of Argentine development, and a clear idea about how the state should work for citizens, in which export taxes played a salient role in the funding of this vision. But this vision and these taxes aggravated long-standing political cleavages between opposing visions of liberal market-orientated models of development and those in which the state maintains a greater role.

In this sense, although the debate about export taxes itself died down post-2008, the association it crystallised with the Kirchnerist statist model did not, it endured. And as it was embedded within the model, it aggravated a number of wider factors that are characterised by opposing ideas of development but were always associated with the 2008 tax hikes and the rural revolt.¹¹² This was acknowledged by an ex-government Minister in Cristina Kirchner's first government:

¹¹² The tax for development debate which had originally highlighted weaknesses of industrial policy that governments tried to ameliorate by the extraction of agrarian rents became part of the wider statist model debate (Barsky and Dávila, 2008).

This variable tax system is now explicitly associated with the Kirchners and the export taxes have put them in a different perspective especially for the middle class. For many, the Kirchners are associated with export withholdings and corruption. Kirchnerismo was born during the tax revolt (interview CEPAL B, 2019).

Many interviewees from across the political divide agreed that ‘when you think of Kirchnerismo, you think of *Retenciones*’ (interviews Bertoni 2019a; Bergman, 2019; CEPAL A and B, 2019; Gómez Sabaini, 2019a, Scaletta 2019; Stang, 2019). This was also noted in academic circles by many authors including Baud (2013) and Kulfas (2016) who acknowledged that ‘many things changed’ for the government following the 2008 tax hikes. The rejection of the variable tax system in 2008 is widely referred to as a fault line that created a polarisation between pro- and anti-kirchnerist supporters, that had been unseen since the first decade of Peronism (De Luca and Malamud, 2010). The taxes had become a political watershed moment for both sets of supporters which had led to a polarisation that had its roots in opposing visions of the state model. Therefore, as the Kirchner’s redistributive model was associated with export taxation, both of these facets became interlinked and opposition to the interventionist state model could not be separated from the opposition to export taxation, which translated into political polarisation.

There was a confluence of factors that was driving political polarisation (which will be explored throughout this chapter) but sitting underneath this confluence was fundamentally a dispute about who should have to pay tax and how much they should pay. It is a normative fault line between supporters of liberal and interventionist types of state and economy. Tax is problematic because whilst it affects the profits of some actors, it creates the foundations of redistributive programmes for others. In this case, whilst representatives of the rural associations may not explicitly have said this, and it is packaged up in a wider argument with other factors, at the core of the problem, from their perspective, the tax reduced their profits and affected their interests. The President of the SRA, Luis Miguel Etcevehere, acknowledged that there had been reduced production in the sector because of the export taxes and without the taxes, production would increase: ‘the elimination of the export taxes will spill over into the production of food [without them] we can return to sell to the world’ (Galli, 2015). What the SRA President was saying, without actually saying it, was that the sector would return to being more profitable; the taxes did not present an insurmountable barrier to export, but they did reduce profits.

It was this insistence on profitability that Cristina Kirchner focused on during the 2008 protests where she derided the producers as ‘greedy profiteers who are obsessed with their own earnings’ (McDonnell, 2008), or as ‘rural oligarchs’ who were unpatriotically not sharing their profits (Balch, 2008). During the 2008 rural protests, Ricardo Rouvier, an international political analyst in Buenos Aires summed up the fault line that the tax had become ‘she [the president] continues to pursue a policy that quickly establishes groups as either friends or enemies’ (ibid.). This fault line endured, and at the opening of the Rural Farm Show *Exposición Rural* in Palermo Buenos Aires in 2013, the SRA President demonstrated the level of anger that was still felt within the sector, both because the export taxes remained levied, and because their use underpinned an interventionalist state model.¹¹³ He argued that:

The national government wasted opportunities and misspent subsidies with cheap politics, corruption and populist actions. [...] They subsidise and benefit those that have the most while those who get up each morning at five to earn a living are forced to pay an exaggerated income tax. Your government has to understand, once and for all, that the policy of expropriating farm income has failed on a global scale, [...] you must put an end to market regulation, ‘outdated’ price controls and the ridiculous export barriers and bans (MercoPress, 2013).

Here the taxes are directly conflated with wider subsidy programmes connecting the two issues for the SRA President, the export taxes, and a rejection of the Kirchnerist statist model, whose elements cannot be separated. The following year in a presentation at the 2014 Rural Farm Show in Palermo, Martín Lousteau — the architect of the mobile tax mechanism, Resolution N. 125 — argued his justifications as ex-Economy Minister for the mobile export taxes who said at the time ‘I was trying to reduce inflation, [...] we needed to resolve a fiscal emergency, this was our answer, and it could have been much worse’ (Bertello, 2014). With this statement, the ex-minister highlighted that others in government (Guillermo Moreno the Interior Minister) had suggested to tax much higher at a fixed rate of 65 percent (Kulfas, 2016). It is the response from the SRA delegates to the ex-minister that helps corroborate my point that the tax remained a problem, and it is was then caught up with, and reflected wider conflicts:

¹¹³ The SRA’s *Exposición Rural* in Palermo is the largest agricultural event in Argentina, but it is also politically and sociologically significant. First held in 1886, it has evolved from solely being a traditional upper class social event, to encompassing politics (CABA, 2021). And those who are in attendance is often seen as a measure of political feelings in Argentina (MercoPress, 2013).

I don't like this example, I don't even like the idea that 35 or 63 [percent] is acceptable. [...] and what about corruption? It has degraded Argentina. Accept that you were part of a corrupt government and accept that you were Minister of the Economy in this government (Bertello, 2014).

Here representatives of the SRA were protesting not only the level of taxation, but at the very concept of export tax. And they conflated this directly with wider dissatisfactions and with doing this, it moved the argument beyond tax. In a *Página 12* interview with the ex-Director of the FAA, Pedro Peretti acknowledged that the rejection of the tax was at such a level that from that point onwards, political opposition towards the government began to strengthen around this point:

The coordinated unionist response that was born [out of a need] to protect the small and medium producers ended up transforming into a political party with an agrarian orientation whose central objective was the defeat of this government (Cufre, 2015).

Why then did this tax engender this extreme form of extreme polarisation? This, in part is because of how the opposition crystallised towards the export taxes during the rural revolt in 2008. Slink (2015) argued that *'la grieta* entirely polarised Argentine society'. During the 2008 agrarian protests, the president argued that the taxes were to the benefit of the poor by both supporting redistribution and vis-à-vis the protection of prices in the consumption basket, which, in essence, expanded the class argument. In 2008, Cristina Kirchner argued 'higher tax will help fight inflation and poverty and keep farmers from abandoning less profitable wheat, corn and beef production' for the more profitable soybeans (Ortiz, 2008). The class argument was seized upon by government supporters who organised pro-government protests at the time because, as they highlighted to a Guardian journalist, they had a 'visceral hatred of the Argentine oligarchy' (ibid.). As one economic observer for an Argentine daily newspaper succinctly put it '[Resolution] 125 reignited the grand fight between classes in Argentina' (interview Scaletta, 2019). And, although this perspective was highlighted by *Página 12* a Kirchner government supporting media outlet, there was a strongly held view across party lines that this episode was a shift in relationship between pro- and anti-Kirchnerists (Baud, 2013). Therefore, export taxes sat within wider development debates but as this quote highlights — which was one of many articulating the same opinion — the taxes were embedded within what many interviewees associated with Kirchnerist governance, because of the polarisation that this engendered.

Here, although exports taxes are undoubtedly associated with Kirchnerismo, the perspective of whether these are viewed as either *rent seeking* or extractive, or alternatively as necessary to address the needs of the state, would fit with opposing visions about how tax shapes ideas of development. De Miguel, an economic adviser working with a number of trade federations including the UIA, discussed the relationship between the taxes and the form of state, but he was also aware of how they were perceived negatively:

The taxes were an expression of the type of state, it was a state with a certain level of control over external markets, and a state that intervened into the economy by taking rents from *el campo*. [...] it was the redistribution of the rents that was the part that led to inevitable conflict, the tragedy of Kirchnerismo was that it placed us all in a redistributive dilemma (interview de Miguel, 2019).

What all of this means is that opposition — whose composition I explore in detail later in the chapter — that had originally solidified around a programme of export taxation extended beyond this and became muddled in other factors, the rejection of the taxes aggravated and touched other areas. It became a defining pillar of Kirchnerismo and would feed into the argument around contested visions of the state, some of which are structural and would remain unresolved. Increasing state intervention into economic, social, and political life was accompanied by a claim that state-sponsored welfarism was clientelist in its orientation, which was hardening opposition towards an interventionalist model. As Gaggero et al. (2015) argue, opposition was growing towards state spending that was concentrated on welfare provision at the expense of other areas of public spending, including infrastructure investment — which I engage with in the following section.

Beyond Taxes: A Wide-Ranging and Muddled Debate

In 2011, Cristina Kirchner had been rewarded for a growing economy from the broad supporter base that had been constructed post-2003, composed of middle class voters who had seen the worst economic crisis in Argentine history spiral into riots just 18 months earlier, and lower income voters who had rewarded the Kirchners for their redistributive policies (Calvo and Murillo, 2012 p. 151). However, a fall in commodity prices would threaten the state spending that had helped secure the government's strong political standing thus far. Political polarisation would grow along with heightened economic challenges. The task for the government would be to continue delivering the programme of social redistribution that had elevated social

expectations to a level where citizens relied on these payments — as evidenced when the president tried unsuccessfully to withdraw the energy subsidies — and in some cases, they were expected (Lupu, 2016). Furthermore, these policies had been popular at the polls, it was pointed out that through redistribution the Kirchners had consolidated a large voter base:

They [Kirchners] wanted to consolidate power through a political system that heavily distributed resources to the poor. It gave them tremendous power and a lot of votes. They wanted to implement different public projects that benefitted the poor. They were a very generous government in terms of spending (interview Bergman, 2019).

Not only that, but these policies had also been economically successful for many citizens. The signature universal child benefit programme AUH and wider programmes implemented through the National Social Security service; ANSES (*Administración Nacional de la Seguridad Social*) meant that the number of low-income families without some form of social security coverage for children dropped from 48 percent when the AUH was implemented, to less than nine percent nationally (Kulfas, 2016). In 2014, the government was spending 16 percent more on social security payments than in 2011 (ibid.); pushing the economy into a bigger balance of payments crisis, and deeper fiscal deficit, whilst exacerbating a growing opposition to this type of redistributive policy. The cost of broad-brush implementation of transport and energy subsidies was recognised as problematic in 2011 and the tension was laid bare when the government tried to rescind these subsidies. However, because the subsidies had become so entrenched in the government's policy basket, the subsidies were not withdrawn, an act which further increased the balance of payment problems (IMF, 2016; Bril-Mascarenhas and Post, 2015). As explored in detail throughout Chapter six, this state spending that was increasing the national debt was highlighting tensions implicit in the statist model when spending levels exceed collection. As this social redistribution had been contingent on the productive capacity of the economy delivering surpluses for the government to redistribute, when these streams diminished along with the legitimacy to tax the rural sector, this became problematic, which would lead to a new polarisation and social tensions rising (Gerchunoff, Rapetti and De León, 2020).

It was a polarisation that was also evident through the deteriorating relationship between the government and prominent media groups — a conflict which increased in scale following the 2008 rural revolt. Although ideological differences had underpinned the early criticism that was levied by the pro-market centre-right LA NACION towards the Kirchnerist

statist model, since 2003, the agrarian revolt in 2008 meant that the largest media group in the country Clarín, would now widen the scope of this conflict, between government and influential actors in the media (De Luca and Malamud, 2010). Increased criticism levied at the government post-2008 by the Clarín group would instigate a motion by the government in 2009 that would increase the contention further. The Audio-visual Media Law (Law 26.522) (*Ley de Medios*) was promulgated to deregulate the power that media giants had held since 1980 by effectively selling the licences held by Clarín (ibid.).¹¹⁴ Whilst praised by government supporters for its attempt to deregulate the industry and to facilitate new and not for profit actors; it was attacked by the opposition as an example of further state interventionist mechanisms. It was viewed by the opposition as an authoritarian move which this time was an attempt by the Kirchnerist state to control a media that was growing more critical of the government (Calvo and Murillo, 2012b). The CEO of the Clarín Group, Héctor Magnetto, supported the rural sector during the conflict and this he argues led the government to begin its attacks against the media group ‘we took the lead in the conflict and from there, the government tried to destroy us’ (Perfil, 2008).

This polarisation and conflict would continue post-2011 with media criticism increasing which coincided with the deteriorating economic indicators. The president countered these criticisms by adopting the narrative that the Clarín group was telling untruths, it was lying ‘*Clarín Miente*’ (BBC Mundo, 2015). And it was not only Clarín with whom the president was embroiled in media conflict, the president was countering growing attacks from LA NACION for the deteriorating state of the economy, and for accusations of government corruption. To respond to this, she argued that the company was evading paying taxes and it was using influential supporters to do this, in a speech via teleconference in April 2015, she highlighted:

What a luxury it is to have judges who allow them not to pay the taxes they owe after ten years. A company as important as LA NACION and they have judges who influence rulings that allow millionaires not to pay taxes [it is] legalised looting, which is much worse still. Your argument is unbecoming, if you don't pay taxes and you have friends who don't pay taxes, shut up. Don't talk about looting if you are the main looter. They have covered up the looting that has taken place for decades in Argentina. Just pay the taxes guys and everyone will be grateful (Kirchner in LA NACION, 2015).

¹¹⁴ The law was subjected to a lengthy delay through appeals in the Supreme Court. The section of the law which allowed for licences to be sold was the main contentious point about the law (Ventura, 2010).

Whilst LA NACION responded in its article both refuting the claims and highlighting that these attacks from government sources had recently increased, it shows that there were growing tensions between certain media groups and the government, which was exacerbating wider conflicts as the disagreements were being played out publicly and hardening political positions (ibid.).

This political polarisation began to harden around cleavages and perspectives that questioned the overall legitimacy of the development programme of Kirchnerismo. The first of these cleavages was centred around the Kirchnerist state vision and its model of economic development. But now, the model was coming under increasing pressure because of deteriorating economic indicators, see Chapter six. Therefore, when the commodity boom receded and stagnation became the prevailing economic context, the *retenciones* became entangled within an expanded narrative that resonated amongst opposition and wider sectors of the population that were being hit by this stagnation. What all of this means is that contingent factors became part of and widened this polarised narrative which included economic mismanagement and calls of corruption, which contributed to dissatisfaction on the part of a growing opposition.

The opposition argument that redistributing through social policies rather than investment into other areas of the economy, including infrastructure, was tantamount to economic mismanagement, which became a target for the opposition towards government policies. By this I mean that both government spending on welfare, and the controls implemented to ameliorate the deteriorating currency levels, were seized upon by opposition parties to be causal factors that directly attributed towards two national tragedies where welfare spending in place of infrastructure spending was argued to be the root cause of the disasters. 51 people lost their lives in the *Once* train disaster in Buenos Aires on 22nd February 2012, whilst 91 people died in floods in Greater La Plata between the 1st - 3rd April 2013 (Barreiro, 2017; Gilbert, 2013). The opposition argued that the deaths of these people was a direct result of underfunding in infrastructure spending and because of limitations on provincial governments to accessing World Bank financing streams — because of the implementation of the currency controls. In this perspective, whilst the government was spending on welfare, it was neglecting infrastructure spending. For opposition parties, interventionist policies were now being directly blamed for creating situations where citizens were losing their lives — adding to growing political polarisation. In response to the *Once* train disaster, Kirchnerist spending came under attack from numerous opposition forces within Congress; Ricardo

Alfonsín of the UCR argued that the disaster was a result of ‘underinvestment and a lack of state control in services that are under the orbit of the national government [...]’ he continued that ‘the government are incapable of both protecting the lives of citizens, and sufficiently funding the railway’. Senator Ernesto Sanz of the UCR went further by directly blaming the amount of money spent on a programme of renationalisations as attributing to the disaster, ‘the money that the Kirchners have spent on renationalising Aerolíneas [Argentinas] in place of servicing the trains, highlights an unfortunate lack of budgetary responsibility’. Elisa Carrió added to this opposition by conflating the tragedy with growing calls of corruption and mismanagement in public spending ‘hopefully we Argentines can understand once and for all that corruption kills’ (LA NACION, 2012). This was also seized upon by the SRA President who utilised the Kirchnerist supporters’ slogan of the ‘won decade’ to argue that the government had misspent money for years:

For many the ‘won decade’ is the lost decade, because they even lost their lives, when the train did not stop at *Once*, or when the flood swept everything in its path in La Plata, because no one did anything to prevent this, for many, many years (MercoPress, 2013).

However, the spending policies that characterise the Kirchnerist state that were coming under increasing pressure, needs to put into some context. The policies that were now attracting opposition criticism were by and large the same policies that had been praised in the previous mandates. The government was not only being attacked by a hardening opposition for its redistribution, it was also being punished for not being able to continue to deliver this redistribution as it had done previously (Lupu, 2016). In this sense, whilst it was still an attack on the policies, the direction of the attack had shifted to the wider economic consequences that these policies engendered. Policies were now attracting criticism because the economy was showing signs of stagnation and contraction, which set the context for opposition to the development model of Kirchnerismo to crystallise and grow stronger. Kirchnerist state intervention into the economy to redistribute revenues was not only widely accepted when the economy was growing, it was viewed as a good thing by a vast swathe of society who were benefitting from the redistribution:

For a lot of people Kirchnerist intervention seemed a good thing whilst the economy was growing. When the economy stopped growing, the same policies that were responsible for

earlier popularity were instantly blamed. From then on, for a lot of people Kirchnerist state intervention became a bad thing (interview Fiorito, 2019b).

For anti-government actors and the hardening opposition, Kirchnerist state intervention became bad for the economy because now there was economic stagnation, and now the statist model could be attributed to this with economic commentators across different sectors arguing that this was the case whoever is elected president in 2015 would have to cut social programmes and subsidies with liberal observers arguing that ‘things can’t carry on as before’ (Deutsche Welle, 2015). However, before the economic decline, the intervention was generally accepted, and this became increasingly polarising because of the economic context, the model was crystallising polarisation into supporters and opponents (ibid.). A policy that sat squarely with this increasing polarisation was the currency controls that were implemented to address the current account deficit and the purchasing price of the peso. This engendered social conflict and strengthened polarisation because it affected the interests of middle class savers who blamed both the government for the policy, and the model of the state that it was following for making this necessary (Goni and Watts, 2012).

Attacks were levied because of a perceived lack of investment in the energy industry by the Kirchners and the costs of the expropriation of YPF from REPSOL which meant importing energy became necessary. ‘The state’s intervention into the energy wholesale market sapped profits from producers which resulted in [their] chronic underinvestment and a consequent decline in energy production’ (Simioni, 2019). This would be a direction of attack that would both increase over the course of the third Kirchnerist mandate with Journalist Carlos Pagni (2013) denominating the continued use of energy subsidies whilst there was an energy deficit as the ‘energy demagogy’ of Kirchnerismo. Energy would occupy a prominent position in the opposition’s 2015 electoral manifesto *Plataforma electoral*:

We will take care of all our natural resources including our energy sources. In the last ten years, Argentina has ceased to be self-sufficient in energy because of erroneous public politics (CAMBIEMOS, 2015).

Furthermore, the currency controls which had inadvertently created a distorted exchange rate added further pressure to the peso through the creation of the black market dollar shifting the official exchange rate from \$USD1 to \$ARS9.6 to a rate of \$USD1 to \$ARS16 (Murillo, 2015). What all this means is that it was the model of a redistributive state that impacted upon other

areas of the economy that added to a growing articulation of the opposition as policies were deemed inefficient and the economy as being mismanaged. In addition, price controls and exchange rate manipulations that were instigated during this period — in an attempt to control inflation — did not yield the intended results and with the contested inflation rate peaking in 2014 at between 23.9 and 38.53 percent, this increased the polarisation that was gathering pace.

The disparity between these sets of figures produced by the INDEC and those of the Argentine Congress would themselves triangulate with wider factors in the growing argument of another controversy during this final Kirchnerist period: allegations of government corruption. This argument gained traction when the Argentine government became the first ever recipient of a ‘censorship motion’ by the IMF against a member country for data manipulation (Webber, 2013). Allegations of corruption were levied by opposition actors in response to the policy that that enabled U.S. dollars previously held offshore to be repatriated into Argentina without reprisals. This drew staunch criticism from the opposition as being another interventionalist policy that benefited government supporters (interview Gómez Sabaini, 2019a; interview Rapisarda, 2019). Whilst some prominent tax experts preferred to highlight the fact that the policy posed wider questions of tax (un)fairness between citizens:

Perhaps we should reflect on whether it is fair for two employees [...] who receive the same remuneration, who have the same family responsibilities, to pay the same income tax if one of them also obtains [tax] exempt income from financial investments when this positions the person in a stronger taxable capacity than those who do not obtain this income (Rapisarda, 2016).

Others were keen to focus on the issue that drew the loudest criticism, which was the fact that the 2013-2015 law had no outright tax collection objective, which fed into the increasing polarisation and growing calls of corruption — levied at the government (Sued, 2013). Whilst the official justification for the policy was to avoid a devaluation with the currency, some opponents of the Kirchners saw this policy as a way for businesses — some of which were being investigated for corruption — and individuals affiliated to the government to repatriate capital without threat of fines or tax. It was politically polarising and even generated tension from within the PJ itself with Peronist party politicians arguing against the bill during the final debate in Congress by pointing to this corruption:

Tomorrow, there will be champagne in Panama, in Puerto Madero, Río Gallegos and Santa Fe. But at the same time, there will continue to be unemployment in thousands of homes [around the country] (ibid.).¹¹⁵

The debate drew attention to the business relations that the president had, and it was argued that it was a way for the government to look after their wealthy friends. By presenting the president and the government in this light, it allowed the opposition to focus their criticisms effectively. Elisa Carrió argued the point that it was a policy that was designed to guarantee impunity from tax evasion. She argued that the dollars that would be repatriated back into Argentina were from wealthy businesses associations of the Kirchners who would gain influence from this:

The most serious problem is the businesses that are setting up. Behind these if I am not mistaken, there are people who are going to put in dollars [...] but here are people who are going to own a lot of land in Argentina. And if I'm not mistaken, behind Elsztain [Eduardo] is Soros [George] (Carrió in Sued, 2013).

Furthermore, it was a policy that was controversial because the government was operating a fiscal deficit, and this was bypassing an opportunity for revenue collection whilst offering an amnesty from fines for previously undeclared offshore investments and dollar reserves. This was another way which tax collection became politicised and fed into this opposition; a point highlighted in an interview with a tax expert:

The fact that close Kirchner allies were offered a way to avoid tax highlights again how politics was coming into tax administration. You can't have politics being the face of tax administration. The Kirchners confused the parameters between what is administrative and what is political (interview Gómez Sabaini, 2019a).

This perspective is important as although calls of corruption against the government were growing — including the Vice President Amado Boudou (2011-2015) being charged with corruption — which it refuted, it shows that polarisation along traditional political cleavages

¹¹⁵ The vote cleared the Chamber of Deputies on the 29th May 2013 by 130 votes for the policy with 107 against (Sued, 2013).

was also growing which would spill over into other areas (BBC, 2014).¹¹⁶ Attempts at constitutional change to allow Cristina Kirchner to stand for a third term generated significant backlash with opposition politicians joining an estimated half a million people at an anti-government protest in 2012, for what they saw as attempts to consolidate power and corruption. The Civic Coalition Senator María Eugenia Estenssoro argued that ‘People are saying “enough” enough corruption, enough lies. It will be very hard for her to change the constitution after tonight’ (Goni and Watts, 2012). What this shows is the level of growing opposition on several fronts in a confluence of dissatisfactions. All these incidents of economic mismanagement and corruption were politically polarising and were now being attacked by the growing centre-right opposition as part of a broader conflict towards Kirchnerist rule.

Kirchnerist Opposition: From Sectoral and Fragmented to the Re-Constructed Centre-Right

Initial opposition to Kirchnerist rule — as I have drawn attention to in Chapters four and five — came from a limited pool of actors within the rural sector, but there was a limited political opposition because of weak and fragmented parties to oppose them. Since 2002, there had been a lack of strong political opposition to the Kirchners. Initially, within the rural sector there was an ambivalence around the tax response; an historic structural opposition to export taxes and a lack of formal political channels through which the rural sector could protest meshed with an acknowledgement that there was a need to fund the fallout from the 2001 crisis. Whilst this acknowledgment detailed in Chapters four and five, provided temporary legitimacy to the taxes between 2002 and March 2008, the ambivalence comes from the fact that the taxes are firmly rooted within the argument about who the profits belong to when international prices rise.

They [the producers] weren’t originally opposed [to the taxes] because there was an understanding about state needs. But what it did was to bring back debates about rents and whether these rents that essentially come from the ‘ground’ are public owned (interview Bertoni, 2019a).

Moreover, during early-Kirchnerismo, outside of the rural sector, the government had strong popular support, it had benefited from high commodity prices which enabled a robust social

¹¹⁶ Amado Boudou was charged with using his influence, during his time as Economy Minister (2009-2011), to award a contract for printing Argentine Currency to a company he allegedly controlled (BBC, 2014).

redistribution emergency programme to become normalised, and which in turn bolstered political support for the Kirchners. As Huber and Stephens pointed out, it was both the favourable economic conditions and the universal character of social policies that drove both poverty and extreme poverty levels down (Huber and Stephens, 2012). It was not only this redistributive programme and falling poverty that helped cement the position of Néstor Kirchner as one of the most popular outgoing presidents in Argentina's history; the rising levels of employment through a growing economy ameliorated the lives of many Argentinians and added to this high-level of popularity (Levitsky and Murillo, 2008). Therefore, at the changeover of presidential power in 2007, the opposition was unable to mount an effective challenge to the election of President Fernández de Kirchner, who secured the presidency in the first round, not only because of some of the overarching positive factors already highlighted, and an acknowledgment by rural actors that they had to initially pay the taxes to meet the post-crisis challenges, but also because of a weak opposition (Freytes and Niedzwiecki, 2016).

First, as Fairfield (2015) argues, aside from the 2008 rural revolt, there was not a coordinated and coherent opposition from the rural sector with different associations representing heterogenous member interests making this difficult (Fairfield, 2015). Furthermore, she highlights that there was a lack of political representation within in the sector which meant that following the implementation of the export taxes under President Duhalde, even if the emergency situation had not bestowed a level of legitimacy, an effective coherent response into government would have been more difficult as the sector lacked formal channels of influence. With the arrival of Kirchnerismo, the sector lost even more formal and informal pathways of influence, with few officials in the Ministry of Economy (under which the Secretary of Agriculture was subsumed) having relevant ties with the sector, while contrary to other countries, rural actors and producers lacked a strong grounding among opposition parties, and suffered lasting difficulties to establish coalitions with influential urban actors (Freytes and O'Farrell, 2017; Hora, 2010).

Since interest group representation by the big producers was weak or ineffective, there was a clear lack of a political channel through which the rural sector could protest against the taxes which was coupled with the fact that the traditional anti-Peronist factions had failed to regroup and mount a coherent challenge themselves to Kirchnerismo before the 2007, and the 2011 elections. In the case of the first elections, the UCR politicians were still struggling from the massive loss of political support they suffered in the 2001 uprisings when they, and President De la Rúa were on the receiving end of the *Cacerolazos* rallying cry (Gold and Peña,

2019). I am not arguing that during this period the anti-Peronist opposition disappeared entirely. However, during this period the party-political face was changing and a future political opposition to the government was growing, signalling the emergence of a ‘new right’. The Republican Proposal or (*Propuesta Republicana (PRO)*) was created in 2005 and would represent a platform for the centre-right to coalesce around to mount a future challenge. However, the popularity of PRO was slow to gather momentum because initially there wasn’t a coherent opposition narrative to Kirchnerismo and therefore, there was a lack of a barycentre around which opposition groups could crystallise a narrative.¹¹⁷

PRO was originally formed as an alliance through the parties; Commitment to Change (*Compromiso para el Cambio*) and Recreate for Growth (*Recrear*). The alliance backed the *Recrear* candidate in the 2007 presidential elections whose candidate, Ricardo López Murphy received just 1.45 percent of the vote with PRO taking two seats in the Chamber of Deputies — making 6 overall (Ministerio del Interior, 2007). However, Mauricio Macri of PRO was elected as Mayor of Buenos Aires in 2007— a position he held until 2015 — and an alliance between Macri and Francisco de Narváez in 2009 defeated Néstor Kirchner for the position of Governor in Buenos Aires Province (LA NACION, 2009a). For now, though, it was not only a growing PRO who would present as opposition to the government, its historical UCR opponents were still challenging the government, albeit in a fragmented way. The UCR’s influence and with it, it’s voter share had declined steadily since democratisation in 1983 and whilst the party was on the decline the PJ had managed to maintain voter support that had consistently been around 40 percent, the Peronists had retained a loyal core of voters whereas the UCR had struggled following the 2001 financial default and remained fragmented (Calvo and Murillo, 2012b). What this meant was that by the 2011 elections, Cristina Kirchner increased her share of the vote to 54 percent in the first round in part because of a fragmented opposition (ibid.).

However, post 2011, the deteriorating economic landscape created space for the opposition parties to formulise a narrative against the statist model which hardened the opposition. The model of the Kirchnerist state was a central tenet of an increasingly more unified attack and it was around this political cleavage that the UCR joined with the Civic Coalition ARI to create the centrist coalition the FAUNEN (*Frente Amplio UNEN*) in 2013 which would join with the PRO in 2015 to mount a coherent challenge to the Kirchnerist statist

¹¹⁷ The popularity of PRO was slow to gather momentum during times when the government enjoyed solid popularity, especially in peripheral provinces and as such, early support for PRO was based in the City of Buenos Aires (Levitsky and Victoria Murillo, 2008).

model through the wide-reaching centre-right political party *Cambiamos* (Freytes and Niedzwiecki, 2016). Mauricio Macri who headed this newly created party argued that it was only the Argentine right who were capable of representing a broad range of demands for change. Macri called for the re-ordering of the economy and the defence of democratic institutions, and with it he agitated a ‘moral panic’ against the potential ‘Venezuelisation’ of the country (Morresi and Vommaro, 2014). The appeal of this centre-right vision began resonating with more voters than it had in 2011. The PRO party returned three senators and 18 deputies in the 2013 Legislative elections (Ministerio del Interior, 2013). The political opposition towards the government was re-constructing. However, the FPV maintained its majority in Congress but the continued downturn in macroeconomic indicators meant that the opposition to the Kirchnerist model of governance would reach such a level that it would enable opposing parties to crystallise their positions into a unified opposition by 2015.

Macri campaigned focusing on wide ranging issues that related to the vision of the state. His policies promised to reduce its influence within the economy. Policies included abolishing export taxes, export quotas and price controls, removing capital controls and reducing institutional intervention, but also strengthening institutions because he argued weaker institutions had enabled corruption (Semán, 2015). Macri drew attention to the fact that the intervention into the INDEC had damaged Argentina’s international image ‘lying about and hiding the state of the economy had tarnished Argentina’s reputation worldwide’ (Associated Press, 2015). The centre-right vision was presented to Argentines in a number of electoral promises: zero poverty, an influx of foreign investment, lower inflation, improved dialogue between politicians and citizens and the strengthening of national institutions. He promised better relationships with the rural sector by removing taxes which would increase production. All of which was underpinned by what opposition politicians argued was a root cause of Argentina’s economic problems Kirchnerist spending for which they promised a significant cut in state spending ‘*reducción drástica del gasto público*’ (Kollmann, 2016). The election fault lines had been drawn and they were around policies that were politically polarising and underpinned by ideas of what the state should be. Whilst the accusations of corruption levied at the government hardened opposition, they also solidified support with pro-Kirchneristas by reinforcing voters’ prior opinions (Lupu, 2016). The accusations of corruption were one point of attack but a point of attack that paled in significance to the preoccupation of voters around the ability of the government to manage the economy (the most important of which was the

reduction in inflation), reduce poverty, reduce crime, reduce wealth inequality and fight corruption (Kollmann, 2016).¹¹⁸

The increasingly partisanship of this opposition crystallised around a polarised cleavage that proposed an alternative to Kirchnerismo, a more market-friendly economic model, the type of which was blamed by Kirchner supporters for the economic challenges that led to the debt default in 2001 (Wylde, 2016). In an interview with PRO's Chief of Communications and General Secretary of the City of Buenos Aires, Marcos Peña, he acknowledged that the market would play a central role in the new type of state:

It is clear that we do not believe in hollowing out the state or in building the state by the state itself, our logic is based on tackling concrete problems with a strong state and a private sector that works together (LA NACION, 2015c)

The wider set of policies that was championed by the opposition was built around a framework of deregulation, free-trade and a reversal of part of the programme of nationalisations. All of which demonstrate that opposition was both growing and was coalescing around visions of the state. Furthermore, embedded within this framework was the promise of a shift in the fiscal contract between the government and the producers through major tax reforms which would not only reduce the burden on the rural sector, but on all Argentinians (Mangonnet and Murillo, 2019). The high tax burden was the underpinning rationale for a growing call from the opposition for tax reform through gradual reductions which Mauricio Macri argued would increase opportunities for all (Marelli, 2015). This campaign promising to abolish the export withholdings which he argued would result in increased production, more employment and increased national consumption (ibid.). In a meeting with three hundred producers the Macri campaign argued its case for the lifting of the export taxes:

When taxes are removed, there will be a reorientation and an optimisation of public spending to be able to meet the levels of investment that the country needs [...] the national government must improve its link with, and facilitate the growth of this [rural] sector rather than impeding it (infobae, 2015).

¹¹⁸ At this point President Kirchner's Vice President Amado Boudou was on trial for taking bribes but still only 9 percent of respondents from the Argentine Panel Election Study (APES) thought that corruption was the overriding problem in Argentina (Lupu, 2016).

This argument demonstrates that although the debate had transcended tax, export taxes remained salient and a faultline within these discussions and was at the intersection of opposing arguments about open and closed models of economic development, and about the role of the state as regulator and intervener of these markets. Political debates were becoming more polarised and because of the continued deterioration of the Argentine economy, the opposition to the Kirchnerist state model, which as I have shown was regrouping around a new breed of political parties, was offering voters an alternative narrative to that of Kirchnerismo. However, there was not only an increasing opposition that was being directed towards the Kirchnerist statist model from the hardening centre-right coalition, but opposition was also simultaneously growing inside the PJ.

Intra-Peronist Opposition

This opposition that was growing within the PJ coalesced around a number of factors and was strengthening on various fronts. This tension aligned with heightened discontent around the perceived inability of the government to deliver for the working classes. The first factor was related to wage stagnation which was articulated from labour groups and the labour wing of the PJ. In this case, labour groups that had previously supported the government were now turning against it. The relationship between the President and the Secretary General of the CGT Hugo Moyano (2004-2012), who had previously been a staunch Kirchner ally, was now deteriorating (Fraga, 2011).¹¹⁹ This deteriorated to such an extent that in 2012 Moyano organised a large anti-government rally protesting against the programme of economic fine tuning that included limits to wage rises and the restructuring of state enterprises that he argued was detrimentally affecting the working classes. In the first general strike of the Kirchnerist era, some rural organisations even joined with Secretary Moyana to demonstrate their displeasure (Tagina and Varetto, 2013). This was contingent opposition that was not explicitly related to the tax and development cleavage but because high inflation was eating into the purchasing power of wages, opposition coalesced around this.

The second manifestation of this growing contention was also distributive but this time it was provincial Peronist party leaders in Cordoba who although they are part of the national PJ, they maintained a strong regional political grounding, who began to turn against President

¹¹⁹ Moyano was also the head of the labour wing of the PJ.

Kirchner because for a number of factors. As Lupu (2016) argues, Peronist leaders in the Province of Cordoba, a core agrarian province, already had a lot of resentment towards the president because of the export taxes had affected the interests of rural producers who now felt that they were being short-changed fiscally through *Coparticipación*. The Kirchnerist statist model was not delivering for them anymore because of the deteriorating general economic environment. This growing opposition was attributed to widespread social unrest which went unchallenged in December 2013 as local police had initiated strikes because of growing inflation and wage caps. Whilst this fed into wider federal debates because the central government was accused of withholding federal police support to Cordoba see Lupu (2016), it highlights that the deteriorating economy and a continuation of the Kirchnerist statist model was hardening opposition to the government.

Finally, there was a centrist Peronist dissatisfaction that was growing within the PJ which was drawing attention to the negative factors of pursuing a model of economic interventionism. Part of this growing dissatisfaction was highlighted in 2013 when former Kirchner ally Sergio Massa created and led the new political party, Renewal Front (*Frente Renovador (FR)*) which was part of the dissident Peronist faction that was offering a more centrist Peronist vision within the PJ (El País, 2015). In the 2013 mid-term congressional elections, the FPV lost control of populous provinces including Buenos Aires, Santa Fe, Cordoba and Mendoza which amounted to a loss of more than 3 million votes (Gold and Peña, 2019). Although the government maintained overall control of the Chamber of Deputies, it lost by 11.8 percent in Buenos Aires province to Sergio Massa's FR (BBC, 2013). This loss was a significant indicator of hardening opposition towards Kirchnerist governance both from traditional opposition and also from former government allies (explored in greater detail in the following section), not least because Sergio Massa was a Peronist who was appointed as Cabinet Chief in July 2008 — following the repeal of Resolution N. 125.

This breakaway by Sergio Massa and the victory achieved by the FR was an important shift, firstly because it gave an indicator towards a growing appetite for political change — 37 percent of eligible voters in Argentina live in Buenos Aires province signalling a significant shift in voter preference — following the emphatic FPV victories in presidential and congressional elections in 2011. Secondly, Kirchnerist governance was starting to be more widely criticised by other disaffected Peronists which demonstrates a growing discontent and disunity within the party, which up to this point, were factors that had been attributed to weaknesses in the Kirchners' opposition (Freytes and Niedzwiecki, 2016). Although, claims of government mismanagement were reported to be the reason for Massa's breakaway, tensions

between the president and Massa were evident much earlier. The intervention into the INDEC was widely reported to have originally caused a rift between Massa and the president in 2008, demonstrating that the issue of institutional intervention was not only contentious outside government but within it (LA NACION, 2009b). What all of this means is that the challenges to the government were growing, as the economic indicators continued deteriorating. The hardening of both intra-Peronist opposition and the re-grouping of the centre-right was simultaneously accompanied by a growing voter discontent which this opposition was benefiting from.

Growing Voter Discontent: Expanding Opposition to Kirchnerismo

The inflationary pressures explored in Chapter six and the negative current account balance which was a contributing factor to the currency controls were now not only affecting the middle classes, but this was adding to growing voter discontent in public sector workers. In 2013, both police and teachers protested through strikes unhappy about the limits to wage increases and the erosion of their pay under the pressures of rising inflation (The Economist, 2013). This growing discontent which had now reached the public sectors shows that following years of generous state spending, when the funding tap started to close, the government started to face increasing incidences of social unrest, dissatisfaction amongst the middle classes, and direct challenges from both opposition, and labour forces. The president's approval level fell from 50 percent to 30 percent between June and September 2012 (Schiumerini and Steinberg, 2020).¹²⁰ Furthermore, there were growing calls of mismanagement of public spending growing within the popular and lower-income sectors, because it was these groups of workers who had been adversely impacted by the *Once* train disaster as the train was utilised by primarily by lower-middle classes and workers, which resulted in protests against government mismanagement of public spending (Barreiro, 2017).

This position was exacerbated further when in his role as Mayor of Buenos Aires, (2007-2015) Mauricio Macri argued that underinvestment in the province of Buenos Aires directly contributed towards lives lost during the 2013 floods in Greater La Plata and Greater Buenos Aires (Gilbert, 2013). With these incidences, the legitimacy of government spending

¹²⁰ The authors consider that black currency markets are particularly unpopular in high-middle income countries like Argentina, as the middle-class sectors with savings that saves in foreign currency is significant. Because the black-market premium is akin to a tax rate, and due to the additional risk incurred in buying in the black-market, buyers will develop a negative view of the government responsible for creating the market (Ibid., p.1219).

on welfare and subsidies rather than on infrastructure — which were partly funded by export taxes — came to the fore and the question transcended the traditional tensions between the producers and the government to envelop the middle-classes (Wylde, 2017). Furthermore, in a worsening economic climate with capital being scarce, Argentina technically defaulted again on \$USD29b (31st July, 2014) when a U.S. Judge's ruling found in favour of the holdout companies who had rejected the debt haircut (Thomas and Cachanosky, 2016; Hébert and Schreger, 2017).

These interventions that were concentrating power in the executive were expanding the narrative of perceived mismanagement of public spending, which, in turn, was adding to a growing crisis of legitimacy built around spiralling inflation, currency controls and general downturn in economic indicators. This ultimately led to increased social tensions, and widespread discontent through large national protests that began at the end of 2012 and early-2013. Whilst the opposition was not explicitly associated with the protests (as highlighted by interviewees in Gold and Peña (2019)) with estimates of half a million people protesting, the scale of these protests does show that there was growing public discontent against the government; after 12 years of Kirchnerismo, the conflict surrounding the vision of the state that the Kirchners were building had not been resolved but the political polarisation had increased, which in turn affected the legitimacy of the Kirchnerist statist model.

However, although I have argued that there was a growing political polarisation during this period, not all the electorate were so easily convinced about this new political pathway that the centre-right was offering in Argentina. Post-2011, the government had trapped itself in a programme of spending that was negatively impacted by contingent economic factors, in short, policy programmes that were expensive, were becoming more so, and the government had limited options to fund them. Opposition was growing and the challenge for the government was to address this growing and organised opposition in the October 2015 election with a new candidate, Daniel Scioli who was actually viewed as a moderate who would reverse many Kirchnerist interventionist policies (Lupu, 2016).¹²¹ After 12 years in government, the FPV lost the presidential elections in October 2015 and Mauricio Macri was sworn in as president in December 2015. But even after all of this growing opposition to Kirchnerismo, it was not an emphatic result and after the opposition had mobilised and created a broad political base — which in part spoke to some of the Kirchner voters through a tamed conservative voice — Macri secured the vote with a 51.5 percent vote share against 48.5 percent share (Ministerio

¹²¹ Constitutionally, Cristina Fernández de Kirchner could not stand for re-election a third time.

del Interior, 2015). Although for all the reasons I have highlighted the Argentine electorate did turn towards the right in December 2015, however, the close result demonstrates that this structural tension and the political cleavages that coalesced around opposing state visions remained. After 12 years of Kirchnerist governance, nearly half of the electorate was still willing to vote for the Kirchnerist candidate highlighting that issues remained unresolved and the faultline over which this contention had been built, would remain contentious into the following administration.

Conclusion

This chapter has analysed factors and policies that moved Peronist government opposition from its traditional opponents within the rural sector to envelop other sectors of society — which ultimately led to a rejection of the Kirchnerist vision of the state. It has argued that the programme of redistribution through welfare and subsidies which continued — and in some cases was enhanced — following the 2008 rural revolt where legitimacy to tax exports was lost, was both a factor in government support, and created a pathway towards hardening government opposition. It highlighted that this model of redistribution through state intervention into the economy came under increasing pressure following President Fernández de Kirchner's landslide victory in the 2011 election. Contingent economic factors that were explored in Chapter six accelerated a process of political polarisation both for supporters and opponents of the government, which translated into accusations of economic mismanagement, and growing corruption. During this period, political positions hardened in the run up to the election.

Apart from the macro level political economic story engaged with in this chapter, it has also explored factors at the micro level. These have helped to trace the trajectory of conditions around a hardening political polarisation and the regrouping of the opposition. The Kirchnerist vision of the state and the policies that are emblematic of this state intervention — that had been vaunted in the post-crisis growth period of the early-2000s — now became a central focus for attack, and a catalyst which allowed the opposition to centralise around this. It has shown how conflict around tax became more than tax. Conflict built around opposing visions of the state, between opposing views of liberal markets and state-led interventionist policies. And, although this was a debate beyond tax, it had implications for tax as export taxes are embedded in this historic and structural debate between the Peronists and non-Peronists,

the two are intertwined and the debate is endemic of the relationship between organised actors in the rural sector and urban working classes. However, it has shown how muddled the debate became as the taxes aggravated and amplified wider socioeconomic tensions and conflict that then became embedded in the Kirchnerist tax design and model of state.

I have argued that export taxes became the fault line around which the right coalesced because they are inextricably linked with Kirchnerismo, therefore export taxes (and the rural revolt) are embedded in an interventionalist state and a redistributive state model because export taxes were driving this model. The export taxes cannot be considered as a separate fiscal issue because they are so embedded within Kirchnerismo. Therefore, when tax became relatively subsidiary in this period, it was still a prominent focus of attack for the growing opposition along with the model of the Kirchnerist state because of the taxes. Tax became a fault line around which polarisation manifested strongly which in turn brought in other factors that it touched and aggravated, the debate transcended one that was just tax to bring in wider dissatisfactions. This led to the return of the right in Argentina. However, this was not the end of the debate and explaining that the issue is structural and unresolved is important as this debate continued into the following presidential mandate. *Retenciones* are associated with Kirchnerismo but the polemic of them continued to play out into President Macri's term in office.

8. Conclusion

This thesis contributes towards political economy of taxation and development debates and to wider academic knowledge by exploring an understudied element of a seminal period of Argentine development. Specifically, I explore the challenges of using tax for development and state-society politics surrounding tax rises and tax collection in an already politically polarised context. The thesis provides a novel analysis of tax debates under Argentina's *pink tide* governments (2003-2015) through an examination of the politics of taxation. Key concepts include tax legitimacy, tax as state building, political polarisation and the politics of social and economic contention. This thesis has provided insights into the challenges governments in low- and middle-income countries face in trying to legitimise changes in fiscal extraction, especially when tax changes adversely affect a small pool of actors who nonetheless enjoy considerable political resources; the use of the tax itself is contested; and the tax spend does not align with the interests of those taxed. Ultimately, the thesis highlights the way in which conflicts over tax mesh with conflicts over wider processes of and ideas about development. The thesis also shows the challenges and barriers that affect this process of fiscal legitimisation in Argentina by explicitly examining tensions that emerged between the policy priorities and spending needs of the state and the fiscal resources available.

Empirically, the starting point for this project was the reimposition of export taxes as part of an emergency tax design which underpinned Argentina's recovery from the 2001 financial crisis. Taxes played a key role in this recovery. The collection of these export taxes represented nearly one quarter of all national tax collection in the aftermath of the crisis. Their continued utilisation subsequently helped drive the national tax burden to its highest ever level: 31.5 percent of GDP by 2015 (Ministerio de Hacienda, 2021). This growth in tax collection enabled consecutive governments post-2001 to pursue a programme of social and economic redistribution that fitted with wider regional development projects of the so-called post-neoliberal era (Grugel and Riggirozzi, 2012). These projects depended on enhanced state intervention into national economies in the early-2000s. As such high export taxes were levied through one iteration or another for 12 years collecting on average \$USD18b annually (Giraudó, 2020; FAOSTAT, 2020).

However, historically export taxes have been contentious. In Argentina they have represented a fault line around which social redistributive tensions have been evident between governments and actors in and representatives of the rural sector (Sachs, 1989). These tensions have sat squarely in debates about the role of the state and markets in development and more

specifically, they have coalesced around deep political cleavages around Peronism. Whilst export taxes have always been contentious and had the ability to generate conflict between these Peronist governments and rural producers, after 2008, the tax debate expanded and became embedded in wider debates about the use of fiscal extraction for an interventionist state in development, which became politically polarising within wider societal groups

This research project explored a period of development that began with relative fiscal peace through a fragile and temporary compliance with export taxes, but which was then shaped by social unrest. There was a consequent loss of export tax legitimacy that would create barriers to the government's future social redistribution programme. Whilst the export taxes remained levied, the initial stand-off between the government and rural producers, that culminated with the 2008 rural revolt, morphed into a broader partisan divide. One that distinguished between the Kirchner's statist neo-developmental programme and the centre-right opposition. Therefore, this thesis has sought to explore the puzzle of how the Kirchners were able to impose export taxes for the duration of their presidential mandates, to what extent this period of Kirchnerist governance represented a consensus around export taxes and how something approaching a consensus gave way to political polarisation once again. Furthermore, it examines the limitations of a tax design that had engendered historic opposition throughout the twentieth century, and how those limitations played out under the left (2002-2015).

This chapter concludes this study by presenting its major findings in three sections. The first explores the findings in relation to the Argentine case study, the second presents the findings in a regional context showing that post-Cristina Kirchner, because of an exhaustion of the previous economic model, Argentina was representative of the swing back to the right (2015-2019), albeit with distinctly national particularities. It will then present the conceptual and theoretical contributions including to political economy of development, fiscal legitimacy and dependency debates. It will conclude by presenting the recommendations for further research.

Legitimising Fiscal Extraction in Argentina: Complex, Contentious and Politically Polarising

Returning to the three research questions that this thesis posed, I propose two broad sets of conclusions. First, the crisis and emergency situation in which Argentina found itself post-2001 bestowed legitimacy on the *retenciones* but when crisis faded the tax legitimacy was lost,

and the government was unable to push the producers any further. Initially the emergency context enabled the governments of President(s) Eduardo Duhalde and Néstor Kirchner to collect tax resources from rural producers for the state to redistribute at a time when all other options to fund the state had diminished. In essence it removed the pathways that previous governments had used to circumvent raising tax because debt was no longer an option.

Emergency meant that the export taxes that were implemented under President Duhalde were temporarily legitimised (or at least accepted) in the eyes of the rural producers. This was the case because the debt default and the need for fiscal resources to underpin national recovery was at such a level that the interests of the producers became subsidiary to those of the state. Furthermore, it was not only interests that allowed for temporary tax legitimacy but also because ideas about an enhanced role for the state in development were temporarily accepted. As such, given the overwhelming necessity to raise and redistribute resources due to levels of poverty that reached 57.6 percent in 2002, ideas about development also briefly aligned (INDEC, 2020). Importantly, this was contingent on the crisis.

However, it was not only the context of emergency that had bestowed an initial legitimacy in the eyes of the producers, but also, a confluence of wider factors. First, the Argentine currency devaluation from 1:1/\$USD in December 2001 to 3:1/\$USD by March 2002 was instrumental in driving the profits of the rural producers and softening the blow of any tax hikes (Rodríguez and Arceo, 2006). Second, by the end of 2003 (see Figure 5, Chapter five) strong commodity prices and growing international demand for Argentine agricultural resources ameliorated the fiscal position of the producers and therefore, the tax was not such an affront to their interests, it came at less of an economic cost than might initially appear. This is an important point and one which would transcend the emergency government of President Duhalde and continue into the first period of Kirchnerismo. Throughout the majority of the presidency of Néstor Kirchner, until 2007, the government did not detrimentally affect the interests of the rural producers any further than the initial negative impact from the implementation of the export taxes as part of an emergency tax design. Taxes remained at their post-crisis levels and were not raised for nearly five years (2002-2007). The president maintained an emergency discourse and his mandate was viewed by many as one of post-crisis with debt renegotiations still outstanding (Wylde, 2012a). Therefore, policies implemented under crisis were still accepted as such.

Moreover, there was greater legislative and fiscal space to maintain this emergency discourse due a confluence of factors: mid-term electoral victories, the government having congressionally-granted 'superpowers' over budgetary allocations and because of the

Coparticipación redistribution mechanism, which meant that export revenues remained with the federal and not provincial government — initially export taxes were not included in the redistribution of fiscal resources mechanism to the provinces see Chapter four — which provided the government with both capacity and autonomy over these taxes, consolidating fiscal and legislative space for emergency governance.

Crucially, this legitimacy was built around the need for an emergency response to crisis. And when this context faded, the taxes took on a different meaning as one for state building for an interventionist state, and this fiscal programme was rejected by the rural producers. There was a mix of factors that negatively affected producers' interests: further tax rises whilst international commodity prices were high, meshed with opposing ideas about the state's role in development. Therefore, this meant that the augmented redistribution programmes that were supported by this tax were viewed negatively by the producers and the tax started to be seen as confiscatory. Whilst the crisis had given the illusion of a consensus around these taxes, it was both temporary and fragile, and when under President Fernández de Kirchner taxes shifted towards supporting increased state spending, this fragile legitimacy finally cracked. In 2007, there were already signs pointing to the fragility of this fiscal extraction programme as the context of emergency faded, but taxes were twice hiked over exports — in the space of 10 months, there were increases of 18.5 percent on sunflower exports and 21.5 percent on soybean exports (Kosacoff, 2007). Now, the rural producers came to view the tax burden on them in a different light, considering this underpinned a long-term interventionist model of the state where the rural sector would be subservient to the developmental and distributive priorities of the state. With a change in discourse the government no longer had the support — or at least the acquiescence — of the rural producers' associations. The legitimacy that had been constructed by the crisis situation waned as the crisis context faded and Kirchnerismo passed into its second phase characterised by the rural revolt, the return of political conflict, a deepening of the statist model and early indications of the economic challenges that would beset Kirchnerismo in its latter phase (Kulfas, 2016).

In the first three months of the presidency of Cristina Fernández de Kirchner the third tax increase in the space of 15 months provided the catalyst for social uprisings which reignited conflicts based on different state visions which, in turn, led to a period of intense political polarisation. The rejection of Resolution N. 125 was at such a level that it managed to bridge competing rural interests. The hike crystallised a cohesive sectoral response by bringing together actors from all four rural producers associations (Fairfield, 2015). The polemic that the tax engendered would ultimately transcend the government, rural sector cleavage and

would encompass other sectors which would ultimately pressure politicians into rescinding the proposed fiscal modification. The tax hikes were not acceptable to rural producers and were viewed as a tax grab because of the strong growth in commodity prices — especially soybeans.

The second broad set of conclusions relate to the limitations of the export tax programme. This I conclude was underpinned by a politically polarising reading of the *retenciones* by both supporters and opponents of the government. The increase in export taxes became the fault line around which wider political polarisation hardened because it reflected fundamentally different views of the role of the state. As a result, tax became embroiled in wider re-distributional conflicts. The debate around tax thus became more than a tax conflict between the Kirchners and actors in the rural sector. It spread out to other social sectors and was accompanied by a regrouping and hardening of the Kirchnerist opposition. Export taxes became the cleavage around which a new regrouping of the right coalesced. We cannot therefore consider the *retenciones* as a separate or technical narrow fiscal issue because they are so embedded within Kirchnerismo. Tax remained a prominent focus of attack for the growing opposition, along with the model of the Kirchnerist state because they were considered part of the same argument. Conversely, for the government, tax was defended because it made its re-distributional policies possible. However, sitting underneath this expanded argument is the fact that once again export tax questions had not been addressed. The question of the legitimation of this taxation model was not fully resolved: no consensus was formed, neither with the sector in question nor with opposition actors. They therefore remained unresolved and remained contentious.

This was problematic because the government had come to rely on this revenue — which in 2011, still represented 10 percent of total tax take (Ministerio de Hacienda, 2021) — and when a nexus of contingent economic factors — including growing debt, deteriorating currency reserves, negative fiscal and current account balances and growing inflation all meshed together — this resulted in a macroeconomic dynamic in which the government had trapped itself because funding the popular redistributive programme was becoming more problematic. Factors including a productive structure heavily reliant on natural resource exports — that came under pressure from falling commodity prices post-2010 — and a lack of investment into this productive structure, because of a focus on social redistribution through welfare policies in lieu of other areas of public spending began to challenge the statist model. These factors contributed towards an economy that was no longer able to provide the level of generous spending that had characterised Kirchnerist governance thus far. As the taxes had become inextricably enmeshed with the Kirchnerist interventionalist state, the statist model

itself was coming under attack by a strengthened opposition that had managed to re-group around policies that had been implemented to try and deal with this fiscal entrapment: foreign currency limits, (attempted) removal of subsidies, public-sector wage freezes and an opposing vision of the state.

This accelerated a process of political polarisation both for supporters and opponents of the government. Polarisation, as Peruzzotti and Waisbord (2021) argue, is ‘long-standing and embedded in Argentina’, but now that the export taxes no longer represented such a large share of the fiscal intake, socio-economic and political contention spilled over into conflict. The export taxes had touched and aggravated long-standing divisions and became embedded with opposing ideas of the state. The conflict around tax became something bigger and it coalesced around opposing visions of the state and the economy.

The Ebbing of the Pink Tide: Part of a Regional Shift with Argentine Particularities

In October 2015, the Argentine electorate returned Mauricio Macri as its President, and with his election, Argentina shifted back towards the centre-right. This shift fitted in with a wider regional pattern whereby left-of-centre governments that had been elected in the early part of 2000s were replaced by governments from the right or centre-right. The pink tide ebbed away in the mid and late-2010s, bringing with it major political change and the return of neoliberal ideas with right-of-centre governments not only returning in Argentina but also in Brazil (2016), Ecuador (2017) and temporarily in Bolivia between 2018-2020. Scholarly attention that has focused on the retrenchment of the left during this time has done so by reigniting debates about the ‘dependency’ of Latin American states through the perspective of an exhaustion of the resource boom, which presented limitations to strong redistribution programmes (Ruckert, Macdonald and Proulx, 2017), or through an inability to enact structural reforms that would sufficiently change the mode of production and break dependency on export revenues (Rojas, 2017; Grugel and Riggirozzi, 2018). Other authors have argued that it was a rejection of economic interventionism (Ellner, 2019), or it was the process of funding populist policies through the redistribution of revenues, that was responsible for this shift back towards the right (Castañeda, 2015; Mazzuca, 2013). Throughout all of these perspectives, the cyclical nature of this dependant relationship is embedded within this literature and it is acknowledged as providing a paradox of opportunities. Firstly, for the funding of left-wing

policies when there is a commodity ‘boom’, and then for creating limitations to the continuation of them, when prices experience a ‘bust’, resulting in political change.

Argentina is representative of an exhaustion of the interventionist high spending model of governance that came to the fore during the pink tide, and it sits squarely with other Latin American distributive conflicts that ushered in political change in the mid-2010s. The end of the commodity boom saw major political and social conflict in two other countries that previously had a limited history of social mobilisation and distributive conflict under democracy: Brazil and Chile. For Brazil, the unprecedented increase in social redistribution seen during the Lula years added to anti-Workers’ Party grievances once the bonanza subsided, resulting in an even more dramatic shift to the right (Alonso and Mische, 2017).¹²² Whilst in Chile, there was a redistributive conflict of a different kind. Following the completion of President Bachelet’s second term (2014-2018), President Piñera (2018-) was faced with a redistributive challenge not because the economy did not allow for social redistribution but because the government chose not to pursue social redistribution. In the case of Chile there was capacity to implement social redistribution but instead the government chose not to do this, which led to mass revolts of 2019-2020 revealing the extent of social discontent with the neoliberal socioeconomic model inherited from the Pinochet dictatorship (Somma et al., 2020).

However, there was not the same level of redistributive conflict in all Latin American countries. Less affluent countries with less developed social states, like Bolivia, Paraguay, and even Peru, have more ‘tolerant’ societies and instead of distributive conflicts, and these countries have instead favoured macroeconomic and political continuity (Duckworth, 2015). Whilst Argentina demonstrates asymmetries to these latter countries because of the prevalence of redistributive conflict it also demonstrates asymmetries to Brazil and Chile because of its long-standing history that it has with redistributive conflicts. Why therefore are redistributive conflicts more prevalent in Argentina? Natanson (2018, p.30), offers an explanation for this whereby he argues that in some countries such as Chile, there are enough export resources to avoid the entrapment that was witnessed in Argentina post-2011, and in other countries, they have societies that have ‘less “European” consumption patterns that also limits the needs for imports’. Exploring this statement further draws attention to some of the underpinning facets of these long-standing redistributive conflicts, that are associated with particularities in Argentine political economic history. Citizens have high expectations, especially on left-wing

¹²² Luiz Inácio Lula da Silva held the Brazilian presidency from (2003-2010) and was succeeded by Dilma Rousseff (2011-2016). Both were representatives of the Brazilian Worker’s Party *Partido dos Trabalhadores*.

governments which tend to be committed to redistribution, but governments have relied on volatile commodities to deliver these expectations. Early patterns of development meant that for much of the twentieth century, Argentina was the richest country in the region, with the highest wages and the largest consumption-oriented middle class. Furthermore, it is a country where a workerist popular political movement dominated democratic politics since the mid-forties, which helped shape an Argentine ‘society little tolerant to resign what it considers acquired social rights’ (Gerchunoff et al., 2020, p. 320), even when delivery of these social rights becomes more problematic because of structural economic challenges. So, whilst Argentina’s shift back to the right is representative in some ways, it was a shift with Argentine particularities.

An Argentine Contribution to Historical Sociology and Tax and Development Debates

Whilst I began this project with a focus on tax collection, the point of departure was different as I was approaching this through the lens of state capacity. Initially, prior to the fieldwork period, the research had been guided by a hypothesis that a lack of tax collection capacity was the driver of the export tax design. However, what became evidently clear from the very first interview — which only gathered pace from thereon in — was that it was perspectives of the politics of tax that would guide this thesis because of the political polarisation that export taxes engendered. Therefore, to analyse social aspects of taxation and the processes of legitimising fiscal extraction, a qualitative led methodology complemented by macroeconomic data sets enabled this project to approach the research in the way that it did.

What therefore does the Argentine case study and the approach that this thesis took, tell us about the political economy of taxation and development debates and historical sociology? It tells us a few things. First, it tells us that the opposing views and the polarising politics of tax that I witnessed during fieldwork, fed into broader questions of fiscal legitimacy, and it shows us the importance of legitimising taxes for creating anything that resembles a fiscal contract, upon which stable policies and visions of development could be built from. Second, it highlights the fragility of the fiscal contract as a concept and draws attention to the complexities of building fiscal agreements in developing country contexts when all in society may be taxed but not all in society are taxed equally. It shows that by leaving tax questions unanswered, fiscal schemes not only suffer in terms of legitimacy but may turn openly contentious, with the ability to engender mass social and political conflict and disrupt policy

consensus and developmental projects. In many instances, debt was used by governments to avoid the contentious process of extracting tax and crucially it therefore remained unresolved and whilst tax questions remained unresolved, development in Argentina was funded through growing debt. This in itself became politically polarising as it was seen as a symptom of failing to address these tax questions. Therefore, this thesis has highlighted that social factors impact upon tax design and collection by highlighting how important the legitimisation of fiscal collection design is, and how social dimensions of tax should not be discounted when engaging with tax and tax reforms.

Third, it has shown how these tax questions are conceptually important because they affect both interests and ideas. In relation to interests, the thesis has drawn attention to how fiscally expansive programmes that cut across interests have the ability to generate conflict. Conceptually, this perspective joins tax and development debates in a wider context and offers a framework to explore tax conflict in other low- and middle-income countries whose productive structures are heavily reliant on natural resource exports, and where tax falls over a smaller group of taxpayers, negatively affecting their interests. Furthermore, it has shown us that export taxes became enmeshed within opposing ideas of development. This created conflict where questions of what role tax should play, became entangled in opposing ideas of whether the state or the market should be the primary actor in the economy. In this sense, the export taxes under Kirchnerismo became a social and economic cleavage as they represented a type of interventionist state policy that did not align with the market friendly, non-interventionist, de-regulated state model. Conceptually the taxes fed into tensions over opposing visions and characterisation of the state. They became associated with heightened state intervention into the economy, this fed into class conflict because the tax collection was used to ameliorate the living conditions of popular classes at the expense of the interests of the rural elites (Elbert and Pérez, 2018).

Here the tax debate becomes tense and politically polarising and is inextricably linked to the contention surrounding what is acceptable intervention into an economy and what tax revenues are used for once they are collected. This point demonstrates the link that exists between raising taxes, conflict and ideas of development, because underpinning all these discussions is the question of how to make tax palatable for development (Flores-Macías, 2019). Which as I have shown, is a complex process that generates contention. Therefore, by exploring interests and ideas of development and tracing how they shape the fiscal contract, the thesis contributes to a wider conceptual discussion in tax for development debates. The thesis has shown that not legitimising tax can increase/affect political polarisation, and shape

interest group politics, opposing visions of development and the overall legitimisation of the fiscal contract.

Ongoing problem and Future Research Implications

The novel approach of the thesis during this period contributes towards addressing a major research lacuna by highlighting the fact that although tax on exports was a recognised driver of augmented revenues and enhanced welfare distribution, social factors that have the ability to derail this supply of resources need to be taken into account when analysing tax during this period. Furthermore, as the thesis situated the theoretical and empirical analysis in a period of crisis in Argentina — that had been brought about by years of rising national debt —, it also contributes to post-crisis financing literatures as it explores the use of tax as a funding mechanism in difficult situations, when other financing options have been withdrawn. It therefore situates the tax discussion socially in both challenges for development but also for one of crisis recovery, adding to the originality and value of this research project.

One of the principal aims of this thesis was to approach tax for development in Argentina from the collection side. As such, the thesis makes an original theoretical contribution by utilising social factors of tax collection to approach this period of Argentine development and wider pink tide literatures. By exploring the legitimacy of export taxation under Kirchnerismo, this thesis has provided a novel theoretical approach by analysing the fiscal contract between the Argentine State and actors in the rural sector 2003-2015. In doing so it draws conceptually from the field of historical sociology and applies these concepts to a political economy of development puzzle to highlight why these factors should be considered in this wider development puzzle. Furthermore, empirically, it bridges some of the extensive scholarly work that has been undertaken in this period in a number of areas: first, it approaches tax from the much-understudied collection side and therefore plugs a gap in fiscal and development literature during this period that has overwhelmingly analysed the tax spend. Second, it offers a complete analysis of these taxes throughout the entire period of Kirchnerist governance during the early-2000s which represents a different approach to the majority of current literatures.

Third, it seeks to offer an extra layer of analysis to current explanations of the retrenchment of the Kirchnerist model of the state during President Fernández de Kirchner's second mandate and contributes to wider literatures on the retrenchment of the left in Latin

America in the mid-2010s. Scholarly attention during this time has focused on reigniting debates about the ‘dependency’ of Latin American states through the perspective of an exhaustion of the resource boom, which presented limitations to strong redistribution programmes (Ruckert, Macdonald and Proulx, 2017), or through an inability to enact structural reforms that would sufficiently change the mode of production and break the dependency on export revenues (Rojas, 2017). Throughout these perspectives, the cyclical nature of this dependant relationship is embedded within this literature and it is acknowledged as providing a paradox of opportunities, firstly for the funding of left-wing policies, and then for creating limitations to the continuation of them, resulting in political change. Currently the majority of academic focus that has analysed this period and on the cessation of this period of left-of-centre governance has conflated the return of the right with a fall in commodity prices. Whilst I have not argued against that economic integration represented a factor, this thesis contributes a more holistic understanding of this shift back towards the centre-right in Argentina by exploring complex social factors and arguing that these should be considered in these political economic analyses as redistributive tensions have been largely overlooked.

Future Research Agenda

The conclusions of this research project suggest further research is warranted in the following broad areas (i) tax and social redistributive conflicts both in Argentina and the wider Latin American region (ii) the use of fiscal tools during emergency governance. In the relation to the first area, it is important to point out that these debates continued in Argentina after Kirchnerismo ended and therefore outside the scope of this thesis. But questions of state funding and tax continued but in a different context. Post-2015 election the impact of the export taxes as a vehicle to increase state resources had diminished but the tension around them continued. Therefore, how the Argentine state legitimised state funding in a difficult fiscal situation, when the emergency tax is part of the policy basket warrants exploration. The faultlines and political cleavages were clearly laid out in the election in December 2015. The central agrarian provinces voted emphatically for Mauricio Macri and *Cambiamos*. And, whilst Daniel Scioli narrowly carried the province of Buenos Aires, (51.1 percent vs 48.9 percent) this was split between the Peronist voting urban districts around the city of Buenos Aires comprising *el conurbano bonaerense* and the regions in the *interior* that comprised of fertile agrarian land which voted overwhelmingly for Mauricio Macri (Ministerio del Interior, 2015; Freytes and Niedzwiecki, 2016).

However, even though the election results shifted Argentina to the right, it did not resolve the long-running structural tensions around tax that had been evident under Kirchnerismo. The model of the state that was the centre for attack built around contested tax policies actually continued, albeit in a more diluted fashion. There were continuities within this change. Welfare programmes that were associated with ‘more state’ were not rescinded and renationalisations implemented under Cristina Kircher were not reversed (Semán, 2015). However, there were changes alongside these continuities, in line with the new agrarian business-friendly government narrative, export quotas were abolished, currency controls lifted, the peso devalued by 30 percent and the majority of export taxes were abolished. Importantly, whilst tax on soy remained — although this was reduced from 35 percent to 30 percent — the rationale had changed. The reason for the maintenance of this tax was because that the national finances the government had inherited were in such a bad state, that the continuation of tax on soy was necessary, for now — it was planned to reduce by five percent each year depending on the fiscal situation (Bertello, 2015b). Moreover, because of contingent macroeconomic factors in Argentina, these were not abolished and they became increasingly embedded in the tax basket, but the polemic these taxes engendered re-surfaced when export taxes were expanded over a wider range of commodities in 2018 (Smink, 2018).

Under President Macri, export taxes were no longer framed as a redistributive tool whose burden fell on the producers of abundance; rather the new president apologetically considered the partial reintroduction (tax on soy was already in place) as a bad policy, but one that was necessary due to the deteriorating macroeconomic climate. They were once again necessary because of the persistence of emergency and the tax was framed as a response to this emergency (El Cronista, 2018). High inflation and debt returned, and the Argentine state sought financing and with reduced options turned back to international borrowing. 17 years after the default, Argentina secured a \$USD57b loan which represented the largest IMF loan in the institution’s history with the associated conditions requiring shrinking the state and achieving a zero deficit by 2019 (Goñi, 2018). With high debt levels, this time the government could not turn to emergency export taxes to tax its way out of crisis as emergency taxes have been normalised within the wider fiscal programme and with it, its effectiveness as an emergency tool, diminished. Therefore, the question turns to legitimising other forms of financing for difficult development questions and what influences this legitimisation process. Furthermore, a comparative approach with regional countries who utilise taxes on exports would prove interesting to understand the wider legitimisation process.

This first point of proposed future research is actually interrelated with the second broad area of suggested research; through an analysis of legitimising different forms of emergency governance but in a wider context. Never has the application of research been so timely since the arrival of the Covid-19 pandemic in 2020, it has brought into stark focus the concept of emergency state financing and it demonstrates areas for the wider application of this research in all areas of development studies. Since March 2020, there has been a shift towards different modes of emergency funding which has underpinned states' fiscal capacities to respond to the pandemic both in developed and developing countries. With the fiscal expansionary phase of crisis response historically followed by austerity phases, how these policies are legitimised to all citizens becomes pertinent and warrants academic exploration. What influences governments choices for emergency financing? To what extent do social factors guide these decisions and who are the winners and losers? Peruzzotti and Waisbord (2021) have argued that in Argentina, the Covid-19 crisis has provided an opportunity for temporary political consensus to address emergency — in a country characterised by polarised politics. However, debt and contentious tax discussions are once again at the fore in this latest crisis response debate (Peña and Barlow, 2020). Therefore, the legitimisation of any fiscal programmes to meet the pandemic challenges will be paramount, as already, the consensual politics evident in spring 2020 has fractured less than a year later, with politics returning to polarised positions. And it is in this area that this research demonstrates its suitability for wider application in development studies and political economic studies by approaching emergency pandemic governance through the application of a social lens to explore how these factors including ideas and interests may ultimately influence the political economy of pandemic responses.

Appendices

Appendix 1: List of Interviewees

Name	Date	Occupation
Walter Agosto	13/03/2019	Director of National Budgetary Analysis
Marcelo Saguier	14/03/2019	University Professor USAM
Jorge Streb	15/03/2019	University Professor UCEMA
CEPAL - A	18/03/2019	Not available
Juan-Carlos Gomez-Sabaini	18/03/2019	Tax Expert: Secretary of Public Revenue (1999-2001)
Griselda Dominick	18/03/2019	Accountant
Alejandro Fiorito	19/03/2019	Heterodox Economist and University Professor
Anonymous A	20/03/2019	Ex Government Minister
Bernado Kosakoff	23/03/2019	Ex Director – CEPAL and UTDT
Ramiro Luis Bertoni	26/03/2019	President of the National Commission of Foreign Trade
Daniel Artana	27/03/2019	Chief Economist FIEL
Tax Lawyer - Anonymised	28/03/2019	Tax Lawyer
Enrique Peruzotti	29/03/2019	Director Social Sciences UTDT
Oscar Centrángolo	1/04/2019	Tax Expert: CEPAL, UBA
Eduardo Baistrocchi	3/04/2019	International Tax Law Expert, LSE, UTDT
AFIP -A	8/04/2019	Informant
Mariano de Miguel	9/04/2019	Economist working for Trade Federations
Javier Rodriguez	10/04/2019	Secretary of Agrarian Emergencies (2013-2015)
Mario Rapisarda	11/04/2019	Journalist: El Cronista (Tax expert)
Matías Vernengo	12/04/2019	Former BCRA Economic Adviser and Berkley Professor
Marcelo Bergman	12/04/2019	Professor working on Tax Evasion
José Sbatella	15/04/2019	Director General of Custom's Tax (<i>DGA</i>) <i>AFIP Aduana 2003-2004</i> . President of the Financial Information Unit <i>Unidad de información Financiera (UIF) 2010-2015</i>
CEPAL - B	16/04/2019	Not Available
Jorge Garzón	16/04/2019	University Lecturer UTDT
Sebastián Etchemendy	16/04/2019	Labour related tax expert
Sivia Stang	22/04/2019	Economic Editor LA NACION
Claudio Scaletta	23/04/2019	Journalist: Página 12 (Tax expert)
Alejandro Fiorito (2nd)	23/04/ 019	Heterodox Economist and University Professor
Juan-Carlos Gomez-Sabaini (2nd)	24/04/2019	Tax Expert: Secretary of Public Revenue (1999-2001)
Anonymous B	26/04/2019	Ex Government Minister
Carlos Freytes	29/04/2019	Regionalism and resources expert. Professor UTDT

Ramiro Luis Bertoni (2nd)	30/04/2019	President of the National Commission of Foreign Trade
Peter Doyle	27/01/2020	Ex-IMF economist
Mario Rapisarda (2nd)	13/07 /2020	Journalist: El Cronista (Tax expert)

Appendix 2: Economically Active Population by Major Industrial Groups (1914-1980) (thousands)

Year	Agriculture, Forestry and Fishing	Extractive Industry	Manufacturing Industry	Construction	Commerce, Finance	Transport and Communications	Services	Others Occupied
1914	530	1	840		293	111	470	917
1947	1622	33	1457	338	855	387	1375	201
1960	1461	44	2001	423	905	478	1519	769
1970	1331	45	1868	711	1577	593	2099	787
1980	1201	47	2089	1003	2098	481	2399	692

(Mitchell, 2007)

Appendix 3: Real Wages and Inflation (1946-1960) (percent)

	Inflation level annual change in the cost of living (%)	Annual change in real hourly wage rates (%)
1946	17.1	5.6
1947	12.2	25.3
1948	13	23.5
1949	32.7	4.9
1950	24.6	-4.4
1951	37.2	-7
1951	38.1	-11.3
1953	4.3	7.8
1954	3.5	6.9
1955	12.5	-1.1
1956	13.1	0.5
1957	25	7.2
1958	31.4	4.7
1959	113.9	-20.5
1960	27.3	3.2

(Gerchunoff and Díaz-Alejandro, 1989)

Appendix 4: List of Argentine Leaders 1946-2015

Leader	Dates	Party	Term End
Juan Perón	4th June 1946 - 19th Sept 1955	Peronist - PJ	Deposed in Coup d'état
Eduardo Lonardi	20th Sept 1955 - 13th Nov 1955	Military	Ousted from Office
Pedro Eugenio Aramburu	13th Nov 1955 - 1st May 1958	Military	Called for elections with the Peronists excluded
Arturo Frondizi	1st May 1958 - 29th March 1962	UCR	Ousted from Office in Coup d'état
José María Guido	29th March 1962 - 12th October 1963	UCR, but Military supported	Called for elections with the Peronists excluded
Arturo Umberto Illia	12th October 1963 - 28th June 1966	UCR	Ousted from Office in Coup d'état
Junta of Commanders of Armed Forces *	28th - 29th June 1966	Military	Appointed Military President Onganía
Juan Carlos Onganía*	29th June 1966 - 8th June 1970	Military	Ousted from Office in Coup d'état
Junta of Commanders of Armed Forces *	8th June 1970 - 18th June 1970	Military	Appointed Military President Levingston
Roberto M Levingston*	18th June 1970 - 23rd March 1971	Military	Ousted from Office
Junta of Commanders of Armed Forces *	23rd March 1971 - 26th March 1971	Military	Appointed Military President Lanusse
Alejandro Agustin Lanusse*	26th March 1971 - 25th May 1973	Military	Called for elections with the Peronists ban lifted
Héctor José Cámpora	25th May 1973 - 13th July 1973	PJ	Resigned

Raúl Alberto Lastiri	13th July 1973 -12th October 1973	PJ	President of Chamber of Deputies exercising the Executive Power
Juan Perón	12th October 1973 - 1st July 1974	PJ	Stepped down due to ill health
Isabel Martinez de Perón	1st July 1974 - 24th March 1976	PJ	Ousted from Office in Coup d'état
Military Junta**	24th March - 29th March 1976	Military	Appointed Videla as President of the Military Junta
Jorge Rafael Videla**	29th March - 29th March 1981	Military	Appointed Viola as President of the Military Junta
Roberto Eduardo Viola**	29th March - 11th December 1981	Military	Ousted from Office
Horacio Tomás Liendo**	21st November - 11th December 1981	Military	Served as acting president during Viola's suspension
Carlos Lacoste**	11th - 22nd December 1981	Military	Interim Military President
Leopoldo Galtiere**	22nd December 1981 - 18th June 1982	Military	Ousted from Office
Alfredo Oscar Saint Jean**	18th June 1982 -1st July 1982	Military	Interim Military President
Reynaldo Bigone**	1st July 1982 - 10th December 1983	Military	Called for Elections
Raúl Alfonsín	10th December - 8th July 1989	UCR	Resigned
Carlos Menem	8th July 1989 - 10th December 1999	PJ	Completed 2 terms
Fernando de la Rúa	10th December 1999 - 20th December 2001	UCR (Alianza)	Resigned
Ramón Puerta	20th - 22nd December 2001	PJ	Provisional President of the Senate exercising Executive Power

Adolfo Rodríguez Saá	22nd - 30th December 2001	PJ	Elected by Congress - resigned
Eduardo Camaño	30th Decmber 2001 - 2nd January 2002	PJ	President of Chamber of Deputies exercising the Executive Power
Eduardo Duhalde	2nd January 2002 - 25th May 2003	PJ	Appointed by Congress called for early elections
Néstor Kirchner	25th May 2003 - 10th December 2007	PJ (FPV)	Did not seek re-election
Cristina Fernández de Kirchner	10th December 2007 - 10th December 2015	PJ (FPV)	Completed 2 terms

* Argentine Revolution Leaders

** National Reorganisation

Process leaders

List of Abbreviations

AFIP:	Administración Federal de Ingresos Públicos
AFJP:	Administradora de Fondos de Jubilaciones y Pensiones
ANSES:	Administración Nacional de la Seguridad Social
APES:	Argentine Panel Election Study
ARS:	Argentine Peso (\$)
AUH:	Asignación Universal por Hijo
BCRA:	Banco Central de la República Argentina
CEPAL:	Comisión Económica para América Latina y el Caribe
CGT:	Confederación General del Trabajo de la República Argentina
CRA:	Confederaciones Rurales Argentinas
CONINAGRO:	Confederación Intercooperativa Agropecuaria
DGA:	Dirección General de Aduanas
DGI:	Dirección General de Impositiva
DGRSS:	Dirección General de Recursos de la Seguridad Social
DNU:	Decreto de Necesidad y Urgencia
ECLAC:	Economic Commission for Latin America and the Caribbean
FAA:	Federación Agraria Argentina
FIEL:	Fundación de Investigaciones Económicas Latinoamericanas
FPV:	Frente para la Victoria
FR:	Frente Renovador
GDP:	Gross Domestic Product
IAPI:	Instituto Argentino de Promoción del Intercambio
ILO:	International Labour Organisation
IPC:	Indice de Precios al Consumidor
ISI:	Import Substitution Industrialisation
INDEC:	Instituto Nacional de Estadísticas y Censos de la República Argentina
IMF:	International Monetary Fund
OECD:	Organisation for Economic Co-operation and Development
PJ	Partido Justicialista
PRO:	Propuesta Republicana
SRA	Sociedad Rural Argentina

UBA:	Universidad de Buenos Aires
UCA:	Universidad Católica Argentina
UCEMA:	Universidad del Centro de Estudios Macroeconómicos de Argentina
UCR:	Unión Cívica Radical
UIA:	Unión Industrial Argentina
UIF:	Unidad de Información Financiera
USD:	United States Dollars (\$)
UTDT:	Universidad Torcuato Di Tella
VAT:	Value Added Tax
YPF:	Yacimientos Petrolíferos Fiscales

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