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Abstract

This paper argues that ideas about tax matter as much as interests and institutions for understanding social attitudes and responses to attempts by the state to raise revenues for development agendas. Tax is a profoundly political problem, reflecting different and sometimes opposing ideas about the role of the state, the market and business–state relationships, and tax rises in developing countries can become linked to wider conflicts of development. Using the case of Argentina, the paper examines, empirically, the attempts by the government of Cristina Kirchner to finance state expenditure and social welfare via raising taxes on commodity exports after 2008. It argues that ideas of tax became embedded with deeply contested ideas of what the state's role in development should be.

Keywords: tax ideas; political conflict; state; extractivism; redistribution; Argentina.

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Introduction

Whilst the importance of tax collection for sustainable development cannot be overstated, the strengthening of tax systems in the global South has proved to be both complex and contentious, with structural economic factors, limited tax administration capacity and political instability meaning that in many cases tax policy has often been the 'art of the possible rather than the pursuit of the optimal' (Tanzi & Zee, 2001, p. 2). And, as Adebayo *et al.* (2021) argue, in countries that rely on tax revenues from natural resource exports the politics of tax has significant influence on government tax take. Pointing to the scale of this challenge, the OECD (2021) highlights that whilst tax plays a central role in promoting development [...] those developing countries face significant challenges in developing their tax capacities and mobilising their domestic resources.

Nowhere in the global South are these tax-for-development challenges more acute than in Latin America. Regionally, states have structurally low tax bases, an overreliance on value added taxes, high levels of informality and highly concentrated wealth (Acosta-Ormaechea *et al.*, 2022; Barlow & Peña, 2022). However, scholars that have approached the tax-for-development puzzle qualitatively have tended to privilege interest- and institutional-based arguments to explain low levels of tax collection and problems with implementing tax reforms. Existing approaches have focused on factors such as impinged economic interests, tax system legacies, state administrative competencies and political regimes (Fairfield, 2015; Flores-Macías, 2019; Sanchez-Sibony, 2019). These factors represent significant barriers to the effective mobilization of domestic resources needed to support state expenditure and development (Focanti *et al.*, 2016). However, perspectives that privilege interest- and institutional-based arguments fail to fully consider the impact that *ideas* of tax have upon on tax systems and their influence on wider development policies. This is an important point in Latin America because historically the politics of raising revenue has created barriers to equitable and sustainable development because tax policies have been shaped by wider ideational cleavages around the roles of states, markets, international trade and corporate investment in development (Bril-Mascarenhas & Madariaga, 2017; Ondetti, 2021). Differing, sometimes even opposing, ideas of how to design revenue raising programmes and how to spend revenue generated by taxes have frequently led to social conflict and acted as a barrier to a more effective mobilization of fiscal resources for development (Martin *et al.*, 2009).

In this paper I explore how ideas of tax can significantly impact upon tax collection and development programmes by using the example of export taxes re-levied in Argentina in the early 2000s, a socio-political period widely known as the Latin American 'Pink Tide'.[1] During this period, many commodity prices in Latin America were benefiting from a 'super cycle', and fiscal extraction from these resources gained prominence in political debate. There was a 'renewed interest [...] due to governments' newfound urgency to find sustainable sources of revenue' (Flores-Macías, 2019, p. 4) to support governments who were elected with the promise of expanding social welfare programmes and delivering more inclusive forms of governance that, in lieu of more substantial and broad-based tax regimes, was supported by taxes and royalty schemes on natural resource exports. I show how historically contentious Argentine export taxes became embroiled in a wider political debate, a conflict that was no longer *just about tax*. Ideas about tax became enmeshed with the vision of an interventionalist and redistributive state, which was rejected by groups and actors who favoured a minimal state.

Empirically, this paper joins this debate in the aftermath of the 2008 export tax revolt in Argentina where a dispute over proposed increases to export taxes coincided with a spike in commodity prices. This widened out from the agricultural exporters on whom the tax was levied to reach wider sectors of society, including the urban middle classes, which then politicized the tax and embedded this in a confluence of dissatisfactions that became inextricably linked with the idea of export taxes and the state vision they were funding. By exploring the relevance of ideas about tax, this study makes a significant contribution to a number of literatures, first on 'tax for development', as ideas have generally received a lack of scholarly attention in this debate though their importance is recognized as critical in development studies more generally (Balaam & Dillman, 2018; Newman, 2001). Of course, I do not seek to discount the power of interest-group politics or factors of fragmented and weak institutional tax collection. But I demonstrate that ideas about tax matter and should be central in discussions of the political economy of tax and development. Second, it contributes significantly to scholarship on natural resource extractivism and export-led development especially in situations where states lack autonomy into specialized exporting industries, and therefore state legitimacy to mobilize domestic resources is complex and challenging. In thus contributing, the paper demonstrates its wider application to other developing states and regions that remain reliant on natural resource revenues for programmes of national development.

Methodologically, the paper proceeds principally through a qualitative research design, backed up by strong statistical data to allow for an analysis of contested understandings, perceptions and, critically, interpretations of export taxation. I take Argentina as a single case study, illustrative of the tax challenges that exist in middle-income countries where there is a pre-existing overreliance on the exports of natural resources and both the collection and the utilization of revenues from these resources are contested. Fieldwork was carried out in Buenos Aires over a three-month period in 2019 and a month in 2023. During these periods, 41 semi-structured elite interviews were conducted in Spanish and English with a range of actors including government ministers, tax experts, media, civil society and trade union representatives which are complemented by a range of qualitative and quantitative secondary data sources.

The paper begins by offering a conceptual discussion of export taxes where I suggest that an engagement with the ideas of tax for development is needed to better understand social attitudes to the state's attempts to raise revenue. I then foreground the complexities of raising tax and funding state spending in Latin American economies that have historically relied both on regressive indirect tax strategies and natural resource revenues especially when control of these resources is not in the hands of the state. I then introduce the background to the export tax debate in Argentina and discuss the historical contention that the use of export taxes has engendered throughout the twentieth century, before they were re-introduced in 2002. The empirical section then explores how tax ideas of exports transcended a debate about just tax to become embedded in other socio-economic and socio-political factors before highlighting what this study means for tax for development debates.

The politics of taxing for development

Overcoming fiscal challenges to raise tax for development in export-dependent countries is not a new puzzle. Over 70 years ago, economist Nicolas Kaldor (1962) asked the question: 'will underdeveloped countries learn to tax?'. Since posing this question – whose conclusions I return to later in this section – interdisciplinary scholarship has explored the challenges of implementing tax reforms, including through export taxes and mobilizing domestic resources in developing countries. Three distinct approaches can be identified: (1) economic, (2) administrative and (3) political economic.

First, as Di John (2006, p. 3) points out, economic approaches have focused on tax system design and explored the ways in which governments finance the *necessary* level of public spending in the most 'efficient and equitable way' (see also Stern, 1987). These literatures seek to better understand the asymmetries in tax levels and designs between developing and developed countries through a focus on structural factors: including economic integration of developing countries into the global political economy, an overreliance on natural resource exports, highly concentrated wealth – especially in agriculture-dependent states – and a low share of wages as a proportion of national incomes have all contributed towards low levels of tax collection (Di John, 2006).

In orthodox economic literatures, export taxes are viewed with some degree of scepticism because they affect the competitiveness of exporting firms (Martin & Trannoy, 2019). Moreover, in these literatures, they adversely affect production through both the distortion of domestic prices and the suppression of domestic demand. For this reason, Tanzi (2000) labels them a 'bad tax'. This distortion leads to producers either withholding exports or increasing domestic prices to offset the depressed purchase prices from export firms; ultimately as was highlighted by a number of neoclassical economists in Argentina, the domestic consumer will shoulder the tax burden because producers sell domestically at inflated prices to recoup international losses (interviews: economist, 18 March 2019; chief economist for major think tank, 27 March 2019; tax expert, 1 April 2019).

However, this perspective has been challenged and reframed to demonstrate how economically export taxes are a valuable fiscal tool. 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). Moreover, export taxes represent a mechanism that can dissuade exporters from selling internationally and, thus, strengthen food security whilst depressing the prices of staple foods in the domestic market (Bouët & Laborde, 2010). In short, it acts as a decoupling mechanism between markets and consolidates domestic prices.

Administrative approaches analyse the institutional capacities of developing states to collect and redistribute revenue. In this body of work, tax is approached as a technical and administrative process that focuses on the strength of a state's institutions as both a driver and a constrainer of fiscal design (Fjeldstad, 2005; Torgler, 2005). In these literatures, weak institutional capacity has been conflated with poor tax administration and low levels of tax collection through a number of issues: partial taxpayer information (Hau *et al.*, 2021), uneven application of tax rules, lack of enforcement (Brinks *et al.*, 2020), corruption and frequent political intervention including through the use of mechanisms to bypass legislative processes (Fjeldstad, 2005; Von Haldenwang, 2010).

However, the extent to which these administrative challenges impact upon tax strategies is up for debate. Certainly, a lack of administrative capacity supports the argument *for* direct export taxes because they require minimal tax administration as they are levied at the point of export and, therefore, difficult to evade. However, there are a number of authors who have argued that administrative limitations to tax more generally can be overcome if the political will is there to do so (Bird, 1989). And, returning to Kaldor's question, he concluded that raising tax is difficult because tax is overwhelmingly political and a tax system reflects its political institutions, and that 'political will' is the *sine qua non* in tax reform. If the political will is there to reform taxes, governments will find capacity – a point that foregrounds the importance of politics within tax reform.

Tax, as Martin *et al.* (2009, p. 4) highlight, is one of 'the most widely and persistently experienced relationships that individuals have with their government', and because of this it is also the one policy domain that can be counted on to generate conflict and resistance. Therefore, this relationship between state and citizens – where taxes are collected by the state but spent on behalf of taxpayers – led Flores-Macías (2019) to ask the question, 'how do we make tax palatable for development?'. And in asking this question, it introduces the third approach: political economy. Political economic approaches have explored how politics influences tax strategies in developing countries, but whilst both *interests* and *ideas* are variables that sit within this approach, overwhelmingly, accounts draw from interest-based analyses (Fairfield, 2015; Flores-Macías, 2019; Schneider, 2013).

Interest-based accounts are grounded in the political power and the resources that groups can wield and how they bargain to protect their interests. In these arguments, the centrality of economic interests of political, business and landowning elites that are impacted by reforms determines whether tax reforms are implemented or not, and thus can create a barrier to tax collection (Fairfield, 2015; Schneider, 2013). In a vast corpus of work existing scholarship gives precedence to the same interest-based arguments where, in export-led developing countries, taxes have fallen on a more concentrated pool of actors, who in many cases are the owners and business leaders associated with natural resource commodity exports and whose economic interests are being impinged by extraction schemes (Sanchez-Sibony, 2019). However, interest-based arguments alone fail to fully explain why tax reforms are challenged by actors across sectors of society on whom the taxes are not levied, and whose interests are not impinged but conflict is generated, nonetheless. In these cases, a focus on ideas of tax provides a deeper understanding of the wider challenges of tax reform and revenue generation and points to a more complex ideological political economic picture.

But, despite these insights, how exactly ideas play into tax is an understudied area, especially in tax for development debates. Bird (2010, p. 4) pointed to the limitations of the debate when he argued that when evaluating the driving forces of fiscal policy design and reform 'tax ideas are overwhelmingly overlooked'. And this is a significant omission because the role of ideas in influencing policymaking has long held a prominent position (Béland, 2019; Blyth, 2002; Hall, 1993). Writing in the 1970s, Anderson (1978) pointed to the value of ideas in the discourse of policymaking: 'policies are made within some system of ideas and standards which is comprehensible and plausible to the actors involved' (Anderson, 1978, p. 24).

The process of how these ideas become embedded in policy is the focus of Hall's (1993) seminal paper, and, whilst related to British economic policymaking, his framework provides an analytical lens that elucidates how ideas frame policies. Hall (1993) argues that there are three processes through which social learning translates into policy, defined as first-, second- and third-order changes. These steps illustrate a trajectory from incremental changes (first order), strategic action (second order) to punctuated equilibrium changes (third order). First- and second-order changes are what Hall (1993) defines as the 'normal' policymaking processes, where policies reflect a heterogeneous and interrelated system of ideas, beliefs, values and interests which influence policy trajectories. In contrast, third-order changes are illustrative of more radical changes associated with a 'paradigm shift'. These changes can occur in response to a particular set of socio-political and socio-economic circumstances including crises which shifts ideas and, in turn, impacts policies.

Yet, how ideas influence tax design and reform remains overwhelmingly understudied. And whilst Steinmo (2003) went some way towards this, it was related to tax ideas in 'advanced' economies, whereas the role of these tax ideas in developing economies, and development as a whole, remains overwhelmingly underexplored. By failing to engage with ideas, authors have neglected to see the importance of how ideas of tax sit at the intersection of opposing ideas of state, governance and class. In Latin America, the ideational politics of tax has contributed to inconsistent tax regimes over time and historically led to high levels of regional indebtedness; governments have frequently preferred to borrow for development in order to avoid contentious domestic debates about tax as well as the challenges of managing the leverage of major corporate investors (Gerchunoff *et al.*, 2020; Peralta-Ramos, 1992).

Castañeda and Doyle (2019, p. 597) highlight the influence of left- and right-wing political ideologies to tax strategies with divergent tax designs implemented to both 'pursue economic growth *and* satisfy governments core support'. Ideas of tax have historically reflected opposing ideas of the role of tax, with the right-leaning governments choosing to place the tax burden on labour and the left choosing to increase the tax on capital (Beramendi & Rueda, 2007; Cusack & Beramendi, 2006). What this means is a tax strategy for the left based on lower indirect taxation in the form of consumption taxes, but higher rates of direct taxes are levied on higher income and corporation taxes. All of which is inverted as a strategy for right governments with an expansion of indirect taxes whilst the direct tax burden is reduced (Castañeda & Doyle, 2019).

An increase in capital mobility brought about by globalization meant that, for governments that levied taxes on capital, they risked increased capital flight and thus aligning a low tax on capital strategy (from the right) with the conceptualization of a market-friendly neoliberal state (Boix, 2003). And this approach fits squarely with tax for development policies advocated for by the IMF and the World Bank's Structural Adjustment Programmes (SAPs) where, through fiscal policy prescriptions, the SAPs are designed to curtail state interventionism and reduce the size of the state. Within these programmes, tax is viewed 'as part of a wider reform agenda of state capacity-building that was seen as a technical exercise in administrative reform' (Di John, 2006, p. 2). Reducing the tax burden would create a more market-friendly environment and build stronger economies, which crystallizes an idea of low tax with both politics from the right and a neoliberal state.

Conversely, in governments from the left, or what Hibbs (1977, 1992) and Alt (1985) define as social democratic governments, the interests of labour which they are expected to promote are associated with policies – including tax – both on the expenditure and the revenue side. Taxes are redistributed to these lower socio-economic groups from 'upscale groups' who are associated with greater levels of wealth and control of the means of production (employers, upper-middle classes and the business and financial community) (Rueda, 2005, p. 62). And in doing so, interventionalist states and class become embedded in these tax strategies because tax ideologies are inextricably linked with both the governments taxing business and financial elites and the tax strategy used to redistribute to popular classes (Navarro, 2007). Thus, questions of class are embedded with the conflict around state interventionism.

And in natural resource exporting countries, export taxes fit directly with the idea of an interventionalist state because expanded redistribution is mainly funded through taxation (Castañeda & Doyle, 2019), and greater redistribution is contingent on governments collecting higher levels of taxation from these resources. Therefore, in times of commodity booms where there are excess revenues to be captured, it is these export taxes that fund the redistributive type of state and exacerbate the conflict between opposing ideologies when the state intervenes into specialized export markets to redistribute to other sectors of society. And this is deeply political because this intervention is associated with left-wing governance, and historically opposing ideas generated by the tax reform have contributed towards political instability and resulted in failed tax policy implementation and consolidation.

Latin American tax strategies and commodity dependence

Latin America is illustrative of deep-rooted challenges to tax that act as significant barriers to financing development. Despite a recent growth in the average Latin American tax burden from 19.4 per cent to 22.4 per cent (2005–2019) (see Ondetti, 2021, 2015, for discussions on high taxation in Brazil and Argentina) the figure still stands well below the levels of OECD countries which hover around 35.5 per cent (Acosta-Ormaechea *et al.*, 2022). It is a region where the tax structure is linked to a preponderance of indirect (consumption) rather than direct (income) taxes, translating into one of the lowest tax rates per capita, 21.7 per cent versus the 35.9 per cent OECD average (OECD, 2021). And these low levels of direct tax collection have been directly attributed to high levels of corporate and income tax evasion (Scartascini, 2022), which in many countries exceed 60 per cent (ECLAC, 2016). And, because of these challenges, it is also a region that has relied heavily, instead, on revenues generated from taxes and royalty schemes levied on the specialized natural resource exporting sectors (Giraudo & Grugel, 2022; Grugel & Riggirozzi, 2012; Nem Singh, 2014; Tanzi, 2000). But these sectors which have historically formed the bedrock of Latin American development models are not always dominated by state-owned or foreign enterprises. Domestically, they can be the economic power base of influential and powerful local actors and elites that have a history of challenging government attempts to tax them, limiting the mobilization of tax resources (Hora, 2001).

The importance of these sectors became clear, once again, at the turn of the millennium when left- and left-of-centre governments were voted into power promising a more socially focused governance agenda, supported by tax and royalties drawn from many of Latin America's commodity exports which were benefiting from growing prices. Driven by a confluence of international factors and strong Chinese demand, metals, petrochemicals and agricultural commodity prices increased (at different levels) dramatically in the early-2000s to mid-2010s. During this period, which has been well covered (see Grugel & Riggirozzi, 2012; Kingstone, 2018; Panizza, 2009; Wylde, 2012), pink tide governments increased collection from these natural resource exporting industries and redistributed resources to strengthen welfare provision and social policy – made necessary because of the Washington Consensus' delivery of poor growth, high unemployment and growing poverty levels (Panizza, 2009). But whilst the tax spend has been well covered in this scholarship, the politics of the tax take has not. Moreover, collecting these revenues is no easy task because who controls resources in Latin America has underpinned decades of tension between states, landed elites, bourgeoise and popular sectors (Sachs, 1989).

The mechanisms that governments used to extract revenues from these high prices were framed by the degree of state ownership into natural resource exporting industries (see Nem Singh & Chen, 2017). In state-owned enterprises across the region (directly or indirectly) including some of the most well-known – Petrobras (Brazil), Petroecuador (Ecuador) and Codelco (Chile) – governments increased revenues from natural resource exporting sectors *vis-à-vis* royalty and special share schemes. When these businesses were externally owned, taxes at the site of extraction were levied – as in Bolivia with the implementation of the 'direct tax on hydrocarbons' (IDH). However, in cases where private domestic elites controlled the means of production, as was the case with agricultural commodities in Argentina, export taxes were utilized as a mechanism to extract resources to take advantage of increased prices. These schemes raised significant revenue (see Table 1) which supported funding of social policies but deepened states' reliance on the extractive sectors (for discussions here on consequential deindustrialization see Bacha & Fishlow, 2011). However, the limitations of natural resource dependency and an over-reliance on development strategies from a few export-led sectors vulnerable to exogenous shocks were again foregrounded with governments overwhelmingly reliant on these volatile markets (Gerchunoff & Rapetti, 2016; Morrissey *et al.*, 2016), which are even more complex when governments lack sufficient embedded autonomy into these domestic industries (see Giraudo, 2020), and the tax design impinges the interests of influential domestic elites.

Export taxes in Argentina: Polarizing and contentious

One of the more extreme but illustrative cases of this complexity is the contention that the collection of tax levied on agricultural exports generates in Latin America's third largest economy, Argentina (Tanzi & Zee, 2000). *Retenciones* ('withholdings' in Spanish) exemplify a long-standing Argentinian development puzzle which has generated significant scholarship (Deese & Reeder,

Table 1 Selected Latin American natural resource revenues (1999–2010)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Export tax revenues												
Argentina	0	0	0	100	183	205	245	292	407	598	638	907
Brazil	0	0	0	100	62	95	65	57	81	46	88	63
Commodity taxes												
Bolivia	15	103	97	100	82	78	117	115	159	156	50	32
Royalties from state-owned enterprises												
Ecuador*												
Hydrocarbons	0	80	57	100	49	126	34	−163	454	477	425	718
Brazil												
Hydrocarbons	19	56	86	100	152	186	216	290	252	393	318	361
Mining	52	66	78	100	151	171	218	254	294	455	403	577
Bolivia												
Hydrocarbons	72	92	109	100	136	179	207	242	255	277	284	299
Mining	0	108	95	100	104	171	256	841	1178	1491	1270	1854

2002 = 100 million in the country's currency: Argentine Peso, Bolivian Boliviano, Brazilian Real.
*2002 = $US 100 million – In 2006 Ecuador terminated an oil contract with Occidental Petroleum and renegotiated others. Source: World Bank.
Source: CIAT https://www.ciat.org/base-de-datos-de-recaudacion-bid-ciat/.

2008; Gerchunoff & Llach, 2010; Richardson, 2009) but is one which speaks of a deep class conflict and opposing visions of state versus markets (James, 1988). On the one hand, for agrarian producers and large landowners – historically made up of the most prestigious and influential individuals and social groups in Argentina (Hora, 2001) – the taxes represent an unacceptable government intervention into a sector when there are excess revenues to be extracted when commodity prices are high. On the other, they are a legitimate taxation strategy from a specialized and privileged sector to redistribute to other areas of the economy to support national development and social spending (Burchardt & Dietz, 2014). Ideologically, they sit at the intersection of a class conflict between agrarian elites and the influential rural organizations representing them,[2] and a working class that first found its political expression through the *Partido Justicialista* (Justicialist Party, PJ) under President Perón (1946–1955), when the Argentine state assumed new social welfare responsibilities and the working and middle classes integrated into political life (Collier & Collier, 2002).

Perón had created a welfare state representing urban, non-elite interests through the targeted augmentation of wages and the expansion of the health and pension systems (Sánchez Román, 2012). Its creation was made possible precisely by redistributing revenues away from agricultural exporting producers to fund social policy (Gerchunoff & Llach, 2010).[3] But this policy, which Hora (2001) labelled 'agrarian reform from above', would underpin a long-standing class conflict because state intervention into agrarian revenues was presented both as a way to support welfare distribution and simultaneously as a tax on what came to be seen as greedy, self-centred agrarian elites who were out of touch with the times (Bethell, 1993).

Perón initially funded the nascent welfare state *vis-à-vis* the creation in 1946 of a single state grain purchaser, the *Instituto Argentino de Promoción del Intercambio* (IAPI). The role of the organization was to buy grain from producers at state-fixed prices to sell to exporters (Sourrouille & Ramos, 2013). It was a matter of deep contestation because the creation of the IAPI coincided with strong growth in grain prices, and by 1947 the IAPI was paying only half of international market prices to producers and redistributing the profit elsewhere (Gerchunoff & Llach, 2010). Whilst the IAPI was disbanded following the overthrow of Perón in 1955, export taxes were introduced the following year. By the mid-1960s a tax of 25 per cent was levied on many of Argentina's main export products: wheat, corn, beef, sorghum – and later sunflower seeds and soybeans – (Kosacoff, 2007), and have been so polarizing that they crystallized support amongst elites, producers and landowners in the agricultural sector for military regimes or political parties who would abolish these taxes and reduce the discriminatory fiscal burden of the sector (Barsky & Dávila, 2008; Gerchunoff & Llach, 2010; James, 1988).

It is a tax conflict that fundamentally remained unresolved because during the twentieth century, politically, it was *easier* to borrow money than to ask difficult and politically challenging tax questions. Such was the use of debt that by the mid-1970s only one out of every three pesos spent by the Argentine government was raised through taxation (Conklin & Davidson, 1986). Whilst export taxes remained polarizing, their utilization, political support and the contention that they engendered ebbed and flowed along with international prices (Sánchez Román, 2015). However, their use became even more salient in the aftermath of the 23 December 2001 IMF debt default, after which consecutive emergency Argentinian governments found themselves in deep financial crisis whilst cut off from international financial markets, meaning domestic resource mobilization was paramount to funding state obligations. As part of a raft of measures, export taxes that had been earlier abolished in 1989 under a programme of neoliberal reforms by President Menem (1989–2000) were now reintroduced to engage with an extraordinary 40 per cent devaluation of the peso (Wylde, 2012). Now, with reduced options to raise revenue, export tax collection became more load-bearing under the congressionally appointed emergency government of President Duhalde (2001–2003).

In response to the fallout from the debt default, export taxes were now reframed as part of a wider package of *emergency taxes* levied by an *emergency government*. And in doing so, they were legitimized (Barlow & Peña, 2022). Deteriorating development indicators and reduced fiscal options meant that imposing emergency taxes was necessary to address a poverty level that exceeded 58 per cent, inflation levels above 41 per cent and unemployment 20 per cent (INDEC, 2022). All of this in the context of rising commodity prices which in the case of soybeans had increased by over 50 per cent in a year (Bianchi & Szpak, 2017), providing the fiscal space to extract revenue. In relation to fiscal collection, the impact of the emergency tax design was nothing short of incredible. Export taxes for emergency were reimposed in March 2002; by the end of the year, emergency taxes accounted for 22 per cent of total tax take, with export taxes accounting for 57 per cent of this collected figure (see Table 2).[4] This level of taxation and tax design continued to

Table 2 Tax Revenues and Burdens Argentina (2001–2008)

	2001	2002	2003	2004	2005	2006	2007	2008
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	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.

be utilized by the first elected post-crisis government headed up by President Néstor Kirchner (2003–2007) – from the *Frente Para la Victoria* (Victory Front, FPV), a left-wing faction of the PJ – whose progressive state-led interventionalist approach to development fitted with the wider regional leftwards shift through expansive social redistribution (Grugel & Riggirozzi, 2012; Tussie, 2009). The emergency context meant that there was a temporary – albeit fragile – consensus, and the impinged interests that had earlier framed responses to the taxes were temporarily put aside (Perochena *et al.*, 2020), ameliorated by rising commodity prices of what the *Financial Times* called 'the [soybean] crop of the century' (Meyer *et al.*, 2017).

For the majority of President Kirchner's mandate, the taxes continued to be levied, and, on the whole, were accepted by agricultural producers. Whilst Fairfield (2015) argues this was because of weak infrastructural and instrumental power, and Freytes and Niedzwiecki (2016) point to a lack of political representation in the sector, empirical evidence from association representatives highlights that the idea of emergency shaped attitudes and enabled them to continue. At the same time, tax levies did not go up, producers' interests were not impacted further and an uneasy truce was maintained (see Table 3) (Barlow, 2021).

However, the fragility of this arrangement became apparent when the consensus collapsed in late 2007 and early 2008 when the government twice increased the export tax rate on agricultural exports, both linked to strong growth in global commodity prices. Crucially, at this point, the idea of emergency was fading but demands for redistribution were increasing. Cristina Fernández de Kirchner, the wife of Néstor Kirchner, assumed the candidacy of the FPV[5] and was emphatically elected president in 2007 with the promise of delivering a deeper programme of social redistribution to complement the energy and transport subsidies already provided, but which now included additional and augmented cash transfer programmes for the informal sector: a redistributive programme now associated with the model of *Kirchnerismo*.

Whilst the 2007 hikes had generated some increased resistance within the agricultural sector (Fairfield, 2011), it was the mobile tax mechanism – known as Resolution N. 125 – which was introduced in January 2008 that

Table 3 Evolution of Agricultural Export Taxes (2002–2015)

<table>
<tr><th>Date</th><th>Mar-02</th><th>Apr-02</th><th>Jan-07</th><th>Nov-07</th><th>Mar-2008*</th><th>2008–2015</th></tr>
<tr><td>Sunflower</td><td>13.5%</td><td colspan="2">23.5%</td><td>32%</td><td>41%</td><td>32%</td></tr>
<tr><td>Soybean</td><td>13.5%</td><td>23.5%</td><td>27.5%</td><td>35%</td><td>44%</td><td>35%</td></tr>
<tr><td>Corn</td><td>10%</td><td colspan="2">20%</td><td>25%</td><td>27%</td><td>25%</td></tr>
<tr><td>Wheat</td><td>10%</td><td colspan="2">20%</td><td>28%</td><td>28%</td><td>28%</td></tr>
</table>

*Approximated rate if mobile scheme would have been implemented.
(Barlow & Peña, 2022)

was the catalyst that united the four previously fragmented rural associations and their members under one common cause because the justification for the increases in export taxes no longer pointed to economic emergency but rather to 'problems of growth' and the financing of an expanded welfare system. In this light, the taxes lost legitimacy and tensions resumed because they were now illustrative of opposing visions of export taxes, viewed either as extractive and discriminatory or as a necessary fiscal tool to address the needs of the state and wider society. Furthermore, this time opposition to the tax was clearly evident in other societal groups. Now, citizens on whom the tax did not fall joined a nationwide export tax revolt.

The tax revolt was a seminal moment. It led to national strikes, food shortages and a three-month lock-out of Buenos Aires which embroiled the newly elected president in a battle with the producers which she labelled class warfare (Mcdonnell, 2008). The government derided actors in the agricultural sector as 'protesters of abundance' with the President arguing that the 'farmers' (producers) should act 'as part of a country, not as owners of a country' (Mcdonnell, 2008). What Resolution N. 125 did was to reignite tensions between the Peronists (Kirchners) and the rural producers, that laid bare a historic tension that this time was so polarizing and widespread that it led journalist Jorge Lanata to label the tax conflict as '*la grieta*' (the crack). The tax reform N. 125 had forced Argentinians to think not only about the role of export taxes but how these intersect with the deeply contested vision of the Kirchnerist state.

Embedded ideas of state visions

The conflict was only resolved when the Argentine Congress voted to repeal the mobile mechanism of export taxation in July 2008 and, with it, the exports taxes levied reduced to 2007 levels, presenting a major blow to the President politically and to the funding model of her programme of social redistribution. Kirchnerismo brought with it a vision of Argentine development and a clear idea about how the state should work for citizens (Grugel & Riggirozzi, 2012). But this vision and these taxes had 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. Resolution N. 125 was the fault line which meant that the tax hike not only instigated a 'traditional' sectoral opposition from interest groups and their supporters, but it also managed to consolidate an intersectoral response from salaried workers from the middle classes. In an interview with an economist working for several trade federations, previously supportive of the government, he 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, trade union economist, 9 April 2019)

An idea of export taxes became embedded with redistributive policies because the scale of the revolt was such that, even after the annulment of Resolution N. 125, the association that its *idea* crystallized with the Kirchnerist statist model endured. It aggravated a number of wider factors that are characterized by opposing ideas of development but were always associated with the 2008 tax hike and the rural revolt. A contentious idea of the tax revolt became embedded in wider dissatisfactions with Kirchnerist governance, especially with its model of redistributive state. In an interview this was acknowledged by an ex-minister in Cristina Kirchner's first government: 'for many, the Kirchners are associated with export withholdings and corruption.[6] Kirchnerismo was born during the tax revolt' (interview, ex-government minister, 9 April 2019). Meanwhile, an interviewee, who has written for Economic Commission for Latin America and the Caribbean (ECLAC), highlighted that the conflict and rejection were at such a level that they raised awareness of export taxes in societal groups who he suggested would not even know they existed previously:

> Outside of economists, academics and the rural sector, nobody in Argentina even knew what *retenciones* were before [Resolution] 125, why would they? They [export taxes] weren't so political before the revolt; they were afterwards. (Interview, economist, 15 February 2023)

During the 2008 protests Cristina Kirchner focused on the excess profits within the sector: 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). Amidst the revolt, 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' (Balch, 2008). This fault line endured. Speaking in Buenos Aires in 2013, the SRA President demonstrated the level of anger that remained within the sector, both because the export taxes continued, and because their use underpinned an interventionalist state model. He argued that:

> The national government wasted opportunities and misspent subsidies with cheap politics, corruption and populist actions. [...] They subsidize 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. In a presentation to the agricultural sector's main conference in Buenos Aires the following year, Martín Lousteau, architect of 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' (Bertello, 2014). It is the response from the SRA delegates to the ex-minister that supports the point that the idea of the tax remained a problem, and it was then caught up with and reflected wider dissatisfactions:

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

Representatives of the SRA were protesting not only the level of taxation, but at the very idea of export tax. Furthermore, they conflated this directly with non-related areas, and, in doing this, it moved the argument beyond tax. For agricultural producers, the contention around the idea of the tax framed by their interests endured. But why this then became embedded in other areas of policy and why it generated such an intersectoral response was that, during the rural revolt in 2008, the export taxes created such a deep fault line it entirely polarized Argentine society. During the 2008 agrarian protests, the President argued that the taxes were for the benefit of the poor by both supporting redistribution and *vis-à-vis* the protection of prices in the Argentine consumption basket, which, in essence, expanded the class argument.[7]

As one economic observer for an Argentine daily newspaper succinctly put it in an interview, '[Resolution] 125 reignited the grand fight between classes in Argentina' (interview, Página 12 journalist, 23 April 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 the taxes were embedded within what many interviewees associated with Kirchnerist governance and model of developmental state.

An economic adviser working with a number of trade federations who had historically argued against powerful actors in the agricultural sector 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, trade union economist, 9 April 2019)

A confluence of dissatisfactions: More than just tax

This redistributive dilemma highlighted by the economic adviser would deepen following Cristina Kirchner's emphatic re-election in 2011 where a broad supporter base that had been constructed post-2003 returned the President with 54.11 per cent of the vote (Ministerio del Interior, 2011). However, a fall in commodity prices post-2011 threatened the state spending that had helped secure the government's strong political standing thus far. Moreover, the imposition of currency controls to shore up the deteriorating purchasing power of the peso would exacerbate opposition in general towards an interventionalist state. The currency controls engendered social conflict and strengthened polarization because it affected the interests of middle-class savers who blamed the government for both the policy and the model of state that it was following (Goni & Watts, 2012). Moreover, this model of state and the contention with the middle classes was linked back to the export taxes because it was this tax that had supported the energy subsidies and wider redistributive governance that were being blamed as the root cause of the currency controls. An idea of export-tax-funded redistribution was directly linked to currency controls, which led to the creation of a black market dollar putting further pressure on exchange rates (Murillo, 2015). An interview with a former government minister highlighted:

> This device [Resolution 125] is now associated with the Kirchners and the export taxes has put them in a different perspective especially for the middle-class. (Interview, ex-government minister, 16 April 2019)

Mass anti-government protests that broke out in 2012 and 2013 across Argentina were led by the middle classes who were protesting against the currency controls but also rising inflation and the deteriorating political environment. However, as Ozarow (2019) points out, there was a growing sense of rebellion in relation to taxes funding the type of state that Cristina Kirchner was pursuing. He cites an interviewee from Piedras Blancas: 'this government is giving out money, left, right and centre; Take, take, take from the hardworking taxpayers'. They went on to highlight that 'they are fed up with paying so that others can live for free' (p. 128).

Political polarization began to harden around cleavages and perspectives that questioned the overall legitimacy of the development model of Kirchnerismo, whose idea was directly associated with export taxes. Many interviewees from across the political divide agreed that when you think of Kirchnerismo, you think of *retenciones* (interviews tax office representative, 8 April 2019; ex-government minister, 10 April 2019; tax expert, 11 April 2019; economic editor for a major publication, 22 April 2019). The rejection of the variable tax system in 2008 is widely referred to as a fault line that created a polarization between pro- and anti-Kirchnerist supporters, that had been unseen since the first decade of Peronism (De Luca & Malamud, 2010), but whose idea would frame wider development debates long after the President completed her second term in December 2015.

Conclusion

Since the mid-twentieth century, export taxes have represented a political and economic fault line in Argentina between actors in the agricultural sector and Peronist governments seeking to extract and redistribute away from them. However, attempts by the government of Cristina Kirchner to augment taxes in 2008 to support social redistribution did not only encounter traditional opposition, but it also permeated into other societal groups because the taxes represented something bigger: a contested vision of state. Therefore, as Kirchner's redistributive model was associated with export taxation, both of these facets became interlinked and opposition to the interventionalist state model could not be separated from the opposition to export taxation. There was a confluence of factors that was driving political polarization, and underlying this confluence was fundamentally a dispute about who should have to pay tax and how much. It is a normative fault line between supporters of liberal and interventionalist types of state, and economy and export taxes became that fault line.

For producers and exporters, when the legitimacy of export taxes for emergency had subsided (Barlow & Peña, 2022), responses to attempts to raise further revenue were undoubtedly underpinned by impinged interests. But crucially, ideas of what these taxes represented for these actors then became embedded in other areas of Kirchnerist policy. Moreover, for some in the middle classes whose interests were not directly negatively impacted, these ideas of export taxes became associated with an idea of interventionalist and redistributive state, a Kirchnerist state. And the embedding of this theoretically fits with Hall's (1993) third-order change, where political crisis or punctured equilibrium frames policy; in this case, paradoxically, ideas of tax policy became embedded in the tax revolt and the model of Kirchnerismo and created a deep cleavage between supporters and opponents. The conflict around export tax became more than about tax; it led the tax debate to become muddled in a confluence of dissatisfactions as the taxes aggravated and amplified wider socio-economic tensions. Whilst the Argentine case is framed by a deep political cleavage around Peronism, more generalizable is both the use of export taxes in wider state-led interventionist programmes of development, and the challenges that remain for these states to extract from specialized exporting sectors where they lack other pathways to reap the benefits from commodity price rises.

This paper highlights the importance of considering ideas of tax in discussions of delivering sustainable economic development models because of the impact that tax ideas can have upon the success of tax strategies in developing democracies. Alongside interests, it paints a more complex picture of the challenge to raise tax for development, because opposing visions of what the tax is levied for and what the tax take ultimately supports can become inseparable. Moreover, in low- and middle-income countries that are predicated on natural resource exports and where the state lacks sufficient autonomy to extract during commodity booms, understanding how these taxes fit with wider tax strategies and development narratives becomes a salient point because they are deeply political and have the ability to both enable and derail development trajectories. It points clearly to the fact that the challenge to mobilize domestic resources in export-led developing countries and for governments to navigate the politics surrounding the extraction of these resources remains as great today as when Kaldor (1962) posed his question in the 1960s. Whilst contentious, export taxes can have significant impact upon national economies and revenue available to the state, but the process of legitimizing the strategy is overwhelmingly important to the consolidation of the tax design.

Notes

1 The term 'pink tide' is used to classify the raft of left-wing governments that were elected in the late-1990s and early 2000s across Latin America: Venezuela, Brazil, Argentina, Uruguay, Bolivia, Ecuador, Nicaragua and, for shorter periods, in Honduras, Paraguay, El Salvador and Peru. The leftwards shift led to a moderate to radical shift in economic and social policies to improve social inclusion and redistribution (Grugel & Fontana, 2019).

2 There are four major Rural Associations in Argentina representing different members. The Argentine Rural Society *Sociedad Rural Argentina* (SRA), The Argentine Agrarian Federation *Federación Agraria Argentina* (FAA), *Confederaciones Rurales Argentina* (CRA) and *Confederación Intercooperativa Agropecuaria* (CONINAGRO).

3 The creation of the welfare state accompanied Perón's attempts to break Argentine dependence on agricultural exports through Import Substitution Industrialisation (ISI).

4 Other taxes in the emergency design included a levy on banking transactions which was collected from financial institutions and was levied in 2001, pre-crisis.

5 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.

6 Corruption claims against the President grew from this point onwards and would lead to an acrimonious relationship with Argentina's largest media organization, Clarín. Cristina Kirchner would ultimately be handed a six-year prison sentence for fraud and corruption in 2022.

7 The consumption basket is widely understood to mean the affordability of staple foods which is used as a measure of poverty in Argentina (Porto, 2010).

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