

The Soybean Export Tax of Argentina as an Analytical Tool for Determining Political
Shifts in Latin America

by

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Abstract

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This study contributes to current scholarship on the political responses to neoliberalism and the current state of the political economy of Latin America. By exploring the complexities involved in politically aligning leaders in the region, this study suggests a need for scholarship that focuses on the policies leaders employ rather than the broad characteristics of politicians. By concentrating on the soybean export tax policy in Argentina, this study reveals the advantages of focusing on individual policies. The findings of this study contribute to the idea that a need for new terminology for classifying leaders other than the classic “left/right” qualifiers is in existence. As such terms have become outdated in their twentieth century form due to an increasingly integrated world economy and lessons learned from the social effects of the neoliberal era, new ways of categorizing leaders and their policies are necessary in order to embrace the mix of ideology currently evident in Latin America’s political economy. Finally, this study shows a further advantage of concentrating on individual policies as a focus on the soybean export tax reveals concrete evidence contributing to the currently available scholarship regarding the existence of populism within the region.

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Chapter 1: Introduction

In December of 2001, dozens of Argentine citizens were killed as hundreds of thousands of people gathered in major cities throughout the country protesting against the neoliberal policies embraced by politicians since the mid-1980s. Taking to the streets with pots and pans in traditional *cacerolazo* manner, protestors from both the lower and middle classes demanded political change.¹ In the midst of the social difficulty caused by nearly fifteen years of neoliberalism, protestors called for a new model of economic development. Culminating under the presidency of Carlos Menem from 1989 to 1999, neoliberalism in Argentina resulted not only in a collapsed economy, but also the highest poverty, inequality, and unemployment rates in decades. As a result, popular mobilization was revitalized in 2001 as the newly-unemployed middle class joined with different sectors of the working class to demand policy transformation. To the appeal of protestors, a new model of development would indeed emerge in Argentina. However, the ways in which Argentina's political economy has changed since this time remains a widely debated topic among scholars.

In many ways, the rejection of neoliberal policy followed by an unclear economic model of development has not been limited to Argentina. Rather, evidence of a similar change exists in many countries in Latin America. From Venezuela to Bolivia and throughout the Southern Cone, leaders in the region have made policy decisions over the past decade that have sparked the interest of economists, historians and political scientists alike. While politicians undoubtedly differ in how far they have strayed from the

¹ '*Cacerolazo*' is the name given to the traditional form of protest in Argentina in which citizens flood the capital streets banging pots and pans and protesting against the government.

neoliberal policies embraced from the mid 1980s to the turn of the millennium, observers have attempted to formulate and categorize political responses to neoliberalism in Latin America. In a broad sense, this study sets out to improve upon and contribute to the available scholarship relating to these changes.

The importance of this research and its relation to the current conflict

To continue in the pursuit of economic models that prove to be long-term, sustainable, and inclusive to all parts of developing societies, scholars must understand both the failures of past development theories and the mistakes of past administrations. Moreover, proper analysis of the effects of policy responses to times of economic crisis as well as the political significance of such policies is a central feature of this search. Objectively interpreting current conflicts over policy decisions in post-neoliberal Latin America in light of economic development theory is essential to this pursuit.

The soybean export tax policy in Argentina has been chosen as the central focus of this study. It has been chosen for several reasons. First, because it was established in 2002 directly in response to the social difficulty caused by neoliberalism and since this time, it has continued to play a vital role in the political strategy of the Kirchner Administration. While export taxes in general are an important source of revenue in Argentina—bringing in \$30 billion worth of fiscal revenue from 2003 to 2008—soybean taxes alone make up over 20% of this gain (Fracchia, 2008; Richardson, 2008). Examining the ways in which one of the most important sources of funds has been utilized by the Argentine government in response to the neoliberal era will shed light on

both the political and economic shifts that have taken place within the country and the region as a whole since this time.

Second, this policy stands as the focal point of one of the most intense conflicts in Argentina since the turn of the millennium. Understanding its economic and political importance leads to clarification of why the government has been unwilling to compromise with those who oppose the policy. Although high political approval ratings and economic growth rates marked the presidency of Néstor Kirchner (2003-2007), from the onset of President Cristina Fernández de Kirchner's time in office, protests calling for policy change returned to the Plaza de Mayo in Buenos Aires and throughout major cities in Argentina. While the 2001 demonstrations called for an end to the neoliberal era, the dissatisfaction that culminated within the first year of Cristina Kirchner's presidency differed in nature. The 2001 protests were led by lower and middle classes of the urban sector. Blocking major highways and withholding the sale of major commodity products for weeks at a time, the 2008 protests, in turn, were led by members of the rural sector. Two years later, protests have continued.

Among various other complaints, at the center of this discontent lies a major conflict between Cristina Kirchner's administration and the Argentine countryside. Revolving around what farmers believe to be exceedingly high export taxes on commodity products, this popular outburst has begun to undermine thoughts of a revitalized Argentine economy and reunited, post-neoliberal society. While the Kirchner Administration claims that the high export taxes—averaging around 35% for soybean products over the past few years—are necessary to address the societal needs of a country still coping with the social effects of the neoliberal era, producers and exporters believe

that the taxes are exceedingly high. Declaring that such a tax is anti-growth and prohibits the ability to invest and innovate, producers have tried to gain support in opposition to the high export taxes throughout the country.

Taking a step back and observing the current conflict in Argentina from a theoretical standpoint allows observers to interpret these issues within a much broader debate on the role governments should play in social and economic development. A brief look at the advantages and disadvantages of government intervention in the economy is helpful in understanding the current conflict. During the 1990s, many countries throughout Latin America were characterized by free markets and little state intervention in society and the economy; however, this era of neoliberalism led to social decline as many citizens, especially in Argentina, saw their incomes and savings dwindle. As social programs and state activity in the public sector simultaneously declined, so did the plight of the lower and lower-middle classes. This situation opened the door to a resurgence of the ideological left, and leaders in the region since the turn of the millennium have attempted to establish appropriate public services, social programs, and economic subsidies to try and address the social difficulties associated with the end of the neoliberal era. While critics argue that neoliberalism prohibited the ability of the state to play an active part in growth and development, the conflict over exceedingly high export taxes in Argentina and similar conflicts throughout the region suggest that some observers believe that the state is now playing too large of a role in development.

As the age-old, multidimensional debate regarding the proper role of the government in the political economy of developing countries is extremely complex and will only be resolved with experience, I believe that it is important for scholarship to

continue striving to comprehend political and economic errors of the past. Moreover, I believe that grasping both a thorough understanding of the policy responses to past administrations and the complications surrounding these responses today is necessary to continue in the pursuit of sustainable development. For this reason, this thesis sets out to contribute to the current debate surrounding the political and economic responses to the neoliberal era throughout Latin America. In doing so, this study will focus on two of the most widely referenced responses among scholars to the neoliberal era: a leftward shift in politics and a resurgence of populism.

Narrowing the research topic

As will be explored throughout this study, the existence of each of these changes is controversial. In terms of leftism, whether or not a significant leftward shift has taken place since the neoliberal era is a widely debated topic. Just as the scholar Héctor Schamis notes, “the political landscape is far more diverse’ than the ‘similar discourse’ of the left in Latin America might suggest” (as cited in Cameron, 2009, 333). Some scholars argue that a leftward shift has been the response to neoliberalism while others argue that no country in Latin America has undergone a leftward shift since the neoliberal era.

Similar to the discussion of the existence of a leftward shift in Latin American politics, disagreement is evident over whether or not specific leaders can be considered populists. While some scholars argue that there are leaders in several countries which can be considered populists, other scholars goes so far as to argue that populism is non-existent in Latin America today.

Clearly, the debates over the existence of a leftward shift in Latin American politics as well as a resurgence of populism in the region since the neoliberal era are inconclusive. This thesis suggests that one of the reasons for scholars' inability to resolve these debates is that much of the available scholarship focuses on leaders as a whole rather than the policies they implement. Instead of performing in-depth analyses on individual policies, some scholars focus on the general image and rhetoric of leaders in Latin America in order to make declarations of their political alignment. Other scholars choose to look at a few select policies and then make broad generalizations over where leaders belong on the political spectrum. As will be noted by Petras's 2006 study, these types of studies are often followed by counter-evidence which argues against such broad claims yet uses similar methods of research.

In order to allow for more accurate claims of political and economic shifts in Latin America since the neoliberal era, what is needed are studies which focus on the individual policies of leaders rather than the leaders as a whole. In a globalized, interdependent world, economies can no longer be isolated as many leftist governments were in the twentieth century. At the same time, lessons have been learned from the neoliberal era regarding the need of an active state in public affairs. As a result, leaders have more recently begun to embrace a mix of policies that relate to different sides of the political spectrum. This is one reason why agreement cannot be reached among the categorization of leaders. Therefore, rather than focusing on the political classification of leaders, dissecting individual policies and analyzing their political and economic significance may yield more concrete evidence regarding responses to the neoliberal era in Latin America.

Central research question

In hopes of contributing to the knowledge of political and economic shifts in Latin America since the neoliberal era, this thesis will attempt to answer the following question: In the midst of the disagreement over political and economic shifts in Latin America since the neoliberal era, does the soybean export tax policy in Argentina provide evidence of a leftward shift in politics and/or a resurgence of populism in the region?

Hypotheses

The first hypothesis of this thesis regards the soybean export tax policy as a potential example of a leftward shift in the political economy of Argentina. My hypothesis is that yes, the soybean export tax policy is a leftist policy and is therefore evidence of a leftward shift since the neoliberal era. The second hypothesis regards a resurgence of populism in the region. Once again, my hypothesis is that the soybean export tax policy is an example of a populist policy and therefore contributes to the evidence of the existence of populism in Latin America today.

Methodology

To test whether or not the soybean export tax can be considered a leftist and/or a populist policy, this study will examine two separate policy decisions relating to the soybean export tax. First, it will consider the decision to tax soybeans and the changes in

tax rates since the policy's original implementation in 2002. Second, this study will analyze the budget decisions regarding the allocation of revenue gained from the soybean export tax. Ultimately, they will be considered collectively as "the soybean export tax policy."² In terms of the export tax serving as a potential leftist policy, this decision-making process will be compared with an agreed upon set of characteristics defining leftism. As will be explored in Chapter 2, formulating a proper definition of leftism is a difficult process. Nonetheless, the framework for leftism that will be applied to this study is borrowed from James Petras's 2006 study. According to Petras, 14 points have been historically agreed upon by scholars as attributes defining leftism in Latin America. Using newspaper articles, personal interviews, relevant scholarship and statistics, this thesis will test the soybean export tax's relation to the 14 points found in Petras's study and then determine whether or not the policy can be considered leftist.

To explore the populist nature of the soybean export tax, a similar process will be used. As will be noted in Chapter 2, finding agreement among scholarship over the definition of populism is an even more complicated task than the process for defining leftism. However, this study will focus on the common points of various scholars' definitions of populism in order to provide a framework that can be applied to the soybean export tax. Using the same types of sources as the leftism methodology, this thesis will compare the ways in which the policy has been implemented, the groups who have received funding, the timing of the allocation of funds, and the rhetoric surrounding

² While these are technically two separate policy-making decisions, observers must note that when the export tax was initially established in 2002 under President Eduardo Duhalde, the choice to allocate revenue towards the social needs of post-neoliberal Argentina was part of the same decision-making process (Centro de Implementación de Políticas para la Equidad y el Crecimiento, 2008). As choices to increase the tax since this time have simultaneously been made with decisions over the destination of funds, each of these policies will be treated as one throughout this study.

the conflict over the soybean export tax policy with the adapted definition of populism in Latin America.

What can be expected in this study

In order to accurately analyze the current conflict between Cristina Kirchner's government and the countryside, observers must recognize the deep rooted complexities of the conflict. For this reason, one of the purposes of Chapter 2 will be to set the framework for a discussion of the controversy surrounding the Kirchner Coalition's export tax policy in light of a broader, theoretical debate regarding political and economic changes throughout Latin America since the beginning of the neoliberal era.³

To attain a contextual grasp of the implementation of the soybean export tax policy in Argentina, one must first understand the concept of neoliberalism and its relation to the ideological shifts in Latin America since the turn of the millennium. Therefore, the beginning of Chapter 2 will provide a brief discussion of the origins of neoliberalism, the policies with which it is associated, and the societal effects of this episode. The remainder of Chapter 2 will discuss various scholars' interpretations of the responses to the neoliberal era throughout Latin America. This chapter will highlight two of the most commonly referenced responses to neoliberalism among scholars: a leftward shift, and a resurgence of populism in the region. As will be noted, disagreement exists among observers over the analysis of political responses to neoliberalism.

³ For the purpose of this study, "the Kirchner Coalition" refers to the presidencies of Néstor Kirchner and his wife, Cristina Kirchner from 2003 to the present.

As mentioned above, some scholars claim that a leftward political shift has been the response to neoliberalism in Latin America while others argue that few leaders have offered substantial policy changes to those that were evident during the neoliberal era. Similarly, scholars disagree over the existence of a return of populism in the region as a response to neoliberalism. By exploring this disagreement and the complexity involved in categorizing leaders in Latin America today, Chapter 2 also aims to set the stage for the recognition among scholars of the need for studies that will address such complexities with more specificity.

Adhering to this necessity, Chapters 3 and 4 will concentrate on one policy at a time—namely, the soybean export tax policy in Argentina. By analyzing only one political concept vis-à-vis the chosen policy, Chapter 3 aims to further the process of specification by discussing the soybean export tax in light of its left and non-left characteristics. In a similar manner, Chapter 4 will discuss the populist nature of the soybean export tax. As will be noted, examining this individual policy does not necessarily lead to clear-cut results in terms of identifying political responses to neoliberalism in Latin America. While Chapter 4 concludes that the soybean export tax indicates a clear notion of populism in the region, Chapter 3 demonstrates that concentrating on the soybean export tax alone does not necessarily yield an obvious place on the left-right political spectrum for the policy. In Chapter 5, a discussion of the advantages of studies which focus on individual policies will address this issue. Moreover, Chapter 5 will provide a summary of the findings of this study as well as contemplate the implications of the results as they relate to broader shifts in Latin America since the neoliberal era.

Chapter 2: Interpreting Theoretical Changes in

Latin America's Political Economy

Exploring Neoliberalism and Its Effects

Scholars such as Maria Murillo, Virginia Oliveros, and Milan Vaishnav have suggested that the neoliberal era was the result of failed policies pursued by governments in previous decades (2008). They argue that the process of democratic alteration often leads to pendulum swing elections in which outgoing administrations are replaced by administrations the opposite side of the political spectrum. A brief review of the economic situation in many countries such as Argentina before the onset of neoliberal policies in the mid-1980s offers insight as to why the Washington Consensus favored policies of fiscal austerity, privatization and market liberalization.

During the 1980s, governments throughout Latin America implemented policies that led to stagnant growth and continual borrowing. Throughout this so called “Lost Decade,” governments in the region often ran large budget deficits, protected domestic industries at all costs, and ignored signs of rapidly increasing inflation rates (Stiglitz, 2002). Inevitably, this led to inefficient domestic firms, rising debt, and hyperinflation. Facing hyperinflation, loose monetary policy, and increasing budget deficits, many countries in Latin America experienced meager or negative growth rates during this episode (Ibid).

In response to this dilemma, a consensus of policies deemed necessary for growth

emerged among representatives of the World Bank, the International Monetary Fund, and the U.S. Treasury. Coined the “Washington Consensus” in 1989, this framework outlined the “right” policies for struggling developing countries, especially in Latin America (Stiglitz, 2002, 16). With fiscal austerity, privatization and market liberalization serving as the three pillars of the Washington Consensus, international institutions promoted the idea that this framework would lead to sustainable development and higher growth rates.

These policies were rooted in Adam Smith’s competitive equilibrium model in which the invisible hand of markets works flawlessly and independent from government intervention. This simplified framework of a market economy was founded on the idea that “free, unfettered, ‘liberal,’ markets work perfectly” (Stiglitz, 2002, 74). Often referred to as “neoliberal,” such policies were based on “market fundamentalism” and paralleled the era of unrestricted laissez-faire capitalism implemented by developed countries sporadically throughout the twentieth century (Ibid).

From a common sense perspective, this ideology appeared logical to economic advisers of the time. However, privatization and trade liberalization were vigorously pursued by international institutions “before there was a strong body of either theory or evidence that they promoted growth” (Stiglitz, 2002, 16; 54). According to Stiglitz, while it may be true that trade liberalization and the elimination of protectionism can bring about gains in efficiency—as it both creates jobs and eliminate inefficient ones—this must be “done in the right way and at the right pace” (2002, 53-4). Unfortunately, Washington Consensus policies throughout Latin America in the 1990s “were pushed too far, too fast, and to the exclusion of other policies that were needed” (Ibid). In the view of Paul Krugman, neoliberal proponents—“like medieval doctors, who insisted on bleeding

their patients, and repeated the procedure when the bleeding made them sicker—prescribed austerity and still more austerity, right to the end” (Krugman, 2002 as cited in Munck, 2004, 80).

More than just austerity measures, proponents in advanced countries called for further privatization and the opening up of borders to improve the economies of developing countries. This is surprising and ironic according to Stiglitz, as the majority of industrialized nations today, such as the United States and Japan, enhanced their economies “by wisely and selectively protecting some of their industries until they were strong enough to compete with foreign companies” (2002, 16-17). As a result of the fact that many countries in Latin America were not sufficiently prepared for neoliberal reforms, the effects on society at large would soon prove to be destructive.

The agricultural and industrial sectors of such countries were not adequately equipped for the rapid changes of neoliberalism (Stiglitz, 2002). From the mid-1980s on, unemployment increased significantly as small farmers and industrial workers in countries throughout Latin America and around the globe could not keep up with the efficiency and competition of subsidized goods from Western Europe and North America. According to Stiglitz, the problem of the Washington Consensus was not so much what it entailed, but the way in which it was implemented. A few of the main problems included timing, the pace of changes, and an overall failure to adhere to the social needs and results of policy formation. Stiglitz explains some of the immediate causes of the resulting social disorder:

“Forcing liberalization before safety nets were put into place...before the countries could withstand the adverse consequences of the sudden changes in market sentiment; forcing policies that led to job destruction before the essentials for job creation were in place; forcing privatizations before there were adequate

competition and regulatory frameworks” (2002, 73).

Needless to say, a brief review of statistics following the era of neoliberalism demonstrates that the political and economic prescriptions of the Washington Consensus did not achieve the type of economic development that was initially expected. According to Dani Rodrik, only three countries in Latin America experienced higher growth rates in the 1990s than during the 1950-1980 period. One of these three countries, Argentina, experienced growth rates for the first five years until development grew stagnant. Subsequently, the implementation of such policies contributed to the financial crisis that took place at the turn of the millennium in Argentina (Rodrik, 2002). Consequently, Argentina has served as a model of the failures of Washington Consensus policies (Stiglitz, 2002).

In other parts of the globe, results were similar. Within the former socialist economies of Eastern Europe, real output remained below 1990 levels in all but four countries. Even in sub-Saharan Africa, the economic results of policy changes have been worse than those of the 1970s. Some of the most disastrous outcomes of neoliberalism have included the financial crises experienced in Mexico, Brazil, Russia, Argentina, Turkey, and countries in East Asia from the mid-1990s until 2002. While the negative results of this era cannot be blamed on neoliberalism alone, the fact that economic success occurred in large part in China, Vietnam and India, countries that have “violated virtually all the rules in the neoliberal guidebook,” suggests that neoliberal policies have played a significant role in the regression of economic development around the globe (Rodrik, 2002, 2).

Upon recognition of the failures of neoliberal policies at the turn of the

millennium, observers began to question what would come next. One response to the failures of neoliberalism has been the drafting of an “augmented Washington Consensus” by the International Monetary Fund (Rodrik, 2002, 1). Arguing that the policies laid out in the Washington Consensus will be successful once they are complemented by “governance” reforms and greater state responsibility, proponents believe that the failures of neoliberalism have been due in large part to “an inadequate application of an otherwise sound set of principles” (Ibid). The response in Latin America has been quite different.

While international institutions such as the IMF and other proponents of the Washington Consensus have suggested a new formula to re-vitalize past failures, leaders in some developing countries have rejected prescriptions of the Washington Consensus and come up with distinct models of governance. Facing the results of unregulated capitalism at the turn of the millennium, countries throughout Latin America inherited the highest poverty and unemployment rates in decades. The combination of such social decline coinciding with further integration of international markets at the end of the neoliberal era led many scholars to speculate what sort of political changes would come in the near future. The question on many observers’ minds was, as Henri Rodrik stated at the Alternatives to Neoliberalism Conference in 2002: “After neoliberalism, what?” (Rodrik, 2002).

Responses to Neoliberalism

Things *have* indeed changed since the neoliberal era in Latin America’s complex political economy. The level and type of change, however—whether economic, political, or just rhetorical—varies from nation to nation, leader to leader and scholar to scholar.

While the amount of change since the turn of the millennium has varied, perhaps the most consistent pattern among leaders in most countries in Latin America has been the common rhetoric of opposition to neoliberalism. Other than such verbal opposition, however, trends have been hard to pinpoint. Scholars have suggested that “there is no single post-neoliberal agenda for development” (Moreno-Brid and Paunovic, 2009, 83). Rather, governments throughout the region have implemented a mix of orthodox and heterodox policies. Some leaders have chosen to uphold many neoliberal policies while others have departed from them as much as possible. Subsequently, one of the main question on various scholars’ minds today is: how should such diversity of policies throughout Latin America be categorized in a modern context?

Perhaps the most common claim for a response to neoliberalism among scholars has been a shift throughout Latin America to the ideological left. Considering the fact that some of the major objections to neoliberalism throughout Latin America have been that it caused greater inequalities, marginalized those without access to markets, and made countries more susceptible to the influence of international institutions, perhaps a leftward shift could have been predicted. While many scholars made this prediction, along with this claim has come a wave of controversy ranging from the distinct ways of defining the types of left that have emerged to whether or not a leftward shift has occurred at all (For more information relating to the prediction of an ideological shift left, see Murillo et al. 2008; Munck, 2004; Roberts, 2006.)

On one hand, there is an extensive list of scholars who claimed shortly after the turn of the millennium that “left-winds” have clearly emerged based in large part on the election of left-leaning parties throughout the region (For a complete list, see Cameron

2009; Petras, 2006). These observers witnessed nine out of fourteen elections result in a left-leaning victory between 2005 and 2007 alone (Murillo et al. 2008).⁴ With so many victories for leftist parties along with narrow losses in Costa Rica, Mexico and Peru in the same episode, the vast majority of scholars have argued that a leftward shift is clearly evident.

On the opposite end of the spectrum, however, there are scholars such as James Petras who have argued that little has changed since the neoliberal era and that even the “centre-left” claims throughout the region are, for the most part, false (2006). He argues that while evidence may be in existence for a leftward shift in particular policies, this does not necessarily indicate a leftward shift in leadership. For Petras, a key to proper evaluation of such leaders throughout Latin America includes the differentiation “between a political campaign to gain power and the policies of a political party once in power, as the gulf between them is both wide and well known” (280). In order to begin to sort through such disagreement over the existence of a resurging “left” in Latin America, observers must first have a clear understanding of what types of policies are associated with the term.

Defining the Political “Left”

Formulating a definition for “leftism” is no easy task. In its most basic form, Kenneth Roberts defines the left as “a commitment to using state power and/or popular participation to alleviate socioeconomic inequalities and protect individuals and groups

⁴ Among these victories include Argentina, Bolivia, Brazil, Chile, Ecuador, Guatemala, Haiti, Nicaragua and Venezuela.

against market insecurities” (Roberts, 2006 as cited in Cameron, 2009, 332).

Encapsulating the scholarship of Jorge Castañeda, Héctor Schamis, Matthew Cleary, and Kenneth M. Roberts,

Maxwell Cameron defines leftism in its most generalized form as “a common commitment to egalitarianism; a willingness to use the state to balance market forces; and a belief in the importance of popular participation” (2009, 332).

While such generalizations provide a starting point from which to work, simplified definitions sometimes open the door to misinterpretation and ambiguous declarations of Leftist leaders. Therefore, readers must note that for the purpose of this study, a more specific and all-encompassing criterion for defining the political left will be used. Chosen for their specificity over the generalization of other scholars’ definitions, the following characteristics will assist in the testing of the first hypothesis regarding leftism in Chapter 3. According to Petras, “historically there is a consensus among academics and activists as to what constitutes criteria and indicators for defining leftist politics” (2006, 280).

Within this consensus, and for the purpose of this study, the characteristics defining “leftism” include:

- 1) Decreasing social inequalities.
- 2) Increasing living standards.
- 3) Greater public and national ownership in relation to private and foreign ownership.
- 4) Progressive taxes (on income and corporations) over regressive taxation.
- 5) Budget priorities favoring greater social expenditures and public investments in jobs, rather than subsidies allocated to capitalist producers and to foreign debt payments.

- 6) Promoting national ownership of raw materials and resources, and protecting the latter from foreign exploitation.
- 7) Diversification of production to value added products as opposed to selling unprocessed raw materials.
- 8) Subordinating production-for-export to the development of the domestic market.
- 9) Popular participation and power in decision-making, not least central planning, as opposed to de facto rule by businesses, international bankers (IMF) and political elites.
- 10) The selection of key cabinet ministers and central bankers in consultation with mass grassroots movements (representing poor peasants, agricultural laborers and urban workers) instead of those representing simply local and foreign businesses and banks.
- 11) Adoption of a progressive foreign policy targeted against the global spread of laissez faire economics, military bases, and imperial wars and occupation.
- 12) Reversing privatizations already carried out, and discarding the policy of extending/consolidating privatizations.
- 13) Doubling the minimum wage.
- 14) Promoting legislation facilitating trade union organization, plus universal and free public education and health services.

While this list is extensive, many of the relevant points listed above will be addressed in this chapter on theoretical implications of leftward shifts throughout Latin America.

Those that are applicable to the soybean export tax in Argentina will be addressed in the Chapter 3 discussion of the soybean tax as a potential leftist policy.⁵

⁵ Observers should keep in mind that this study collectively analyzes both the decision to tax soybean exports as well as the budget decisions made with the revenue gained from soybean exports.

Claims Against a Leftward Shift

Before making the mistake of embracing the idea that a shift “left” has been clear-cut and obvious among all scholars, one must understand that the degree to which “leftism” has been implemented throughout Latin America since the turn of the millennium is up for debate. Expounding upon the idea that a shift “left” varies from leader to leader, scholars such as James Petras and Kurt Weyland have even argued that in some cases, little or no shift has occurred (Petras, 2006; Weyland, 2004b as cited in Roberts, 2006, 329). Petras goes so far as to say that a common trait for emerging leaders in Latin America has been to “talk to the left and work to the right” (2006, 278). In his work, Petras criticizes other scholars for claiming that leftist leaders have emerged in several countries including Uruguay, Bolivia, Brazil, Ecuador, Peru and Argentina. He claims that while these leaders portray leftist images, they have upheld the “right” economic policies of the neoliberal era (Ibid).

In order to critique leaders and their policies, Petras refers to the 14 points defining leftism in his 2006 study as historically agreed upon by scholars. His assessment of select leaders in Latin America has been included in this thesis because it is one of the few studies that have countered the claims of a broad leftward shift in politics. Furthermore, his expertise on leftism as a leading scholar in the field offers an insightful view on the current debate. Tracing through some of Petras’s relevant critiques of the countries below offers a further understanding of why many of the claims made by scholars mentioned above that a leftward shift in politics has taken place in Latin America are controversial. Furthermore, reflecting upon Petras’s analysis of leaders in these countries helps to explain why a need exists for scholarship that focuses on

individual policies rather than leaders as a whole. As will be noted, Petras denies the existence of a leftward shift in politics based on the fact that leaders have not embraced *all* leftist policies. Each time a leader breaks with the 14 points historically defining leftism, Petras takes note.

As will be explored in greater detail in Chapter 3, Petras may be right that no *purely* leftist leaders exist in Latin America today. But this does not necessarily mean that a leftward ideological shift has not taken place in politics. By examining Petras's claims against leftism in the examples below, this chapter will set the stage for a recognition that scholars should look at individual policies rather than leaders to more accurately determine the existence of shifts since the neoliberal era.

Uruguay

In Uruguay's case, Petras notes that Tabaré Vázquez was elected president due to a coalition made up of left-leaning groups including Communists, Socialists and liberal democrats. According to Petras, regardless of his political base, within a few months of taking office Vazquez appointed "hard-line neoliberals" to the Central Bank and Economic Ministry (284). Under the Vazquez Administration, Uruguay experienced continuing privatization of major state enterprises, financing and subsidies to the large agro-export sector primarily benefiting agricultural elites, and major multinational investment in controversial sectors⁶. Moreover, while his administration made meager attempts to fight inequality through "job creation" and emergency food relief programs for the most indigent of Uruguayans, these programs reached only a small portion of the

⁶ An example is the Finnish owned cellulose plant along the Uruguay River which has threatened both the tourist and fishing industries in Uruguay (Petras, 2006, 285).

population. At the same time, Vazquez imposed wage controls on the working classes, thus placing the importance of austerity measures over the wellbeing of thousands of citizens (Petras, 2006, 285). In light of these issues, Petras claims that a clear-cut shift to the left or centre-left has not been observed in Uruguay.

Bolivia

When Evo Morales was elected to the presidency of Bolivia in December of 2005, he was “greeted with enthusiasm by a wide spectrum of political opinion, especially on the left” (285). Receiving 88% of the votes from The Federation of Neighborhood Councils of El Alto in La Paz (FEJUVE), Morales promised a clear turn from neoliberalism that included a “profound” agrarian reform, a major minimum wage increase, and further independence of the Bolivian state from foreign control (284-7).

Despite his background as the leader of the Movement to Socialism (MAS), Morales quickly assured foreign investors that gas and petroleum would not be expropriated by the state. Upon taking office in 2006, Morales also mentioned plans to privatize the Mutin iron fields even though Bolivia had been promised to receive only 10% of profits reaped from this important natural resource. According to Petras, “No previous government in Bolivian history has opened the country to mineral exploitation by so many foreign capitalist enterprises in such lucrative fields in such a short period of time” (286).

Moreover, despite his promise to triple the minimum wage rate, Morales imposed austerity measures favoring macroeconomic stability, and within the first year of his presidency, the minimum wage rate increased by no more than 10%. In his 2009 study,

Petras notes that one of the boasts of the Morales regime has been that it tripled the amount of foreign reserves to nearly \$6 billion dollars while simultaneously maintaining fiscal discipline and favoring a strict balance of payments over social spending. As each of these actions resemble neoliberal tendencies, they are especially striking considering the fact that they took place “in the face of continued 60% poverty levels” (Petras, 2009, 6). Once again contradicting previous promises, Morales and the Ministry of Agriculture have opposed agrarian reform of farms as large as 25,000 acres or more “as long as they are productive” (Petras, 2006, 287). Similar to that which has been seen in Brazil, Uruguay and Peru, Morales has betrayed leftist agrarian policy and instead promoted agro-exports through subsidies and further tax incentives (Ibid).

Another critique that Petras makes is that Morales refused to meet with the leaders of FEJUVE, an important group of supporters, to discuss electricity prices and the lack of a promised plan to insure households with means of waterlines, gas and heating. Instead, Morales gave preference to the Confederation of Private Businessmen of Bolivia so that they could map out an economic program for the country. According to Petras, such a plan meant “curtailing social spending, promoting foreign investment, prioritizing exports, maintaining monetary stability and above all promoting private investment” (287). While entering into office making promises that many of the policies imposed during the neoliberal era would be overturned, Morales has instead, according to Petras, followed the same economic pattern of his predecessors rather than giving preference to the fulfillment of the social needs of Bolivia.

Brazil

One of the most acclaimed leaders of the global left since the neoliberal era has been Brazil's Luiz Inacio 'Lula' da Silva. However, according to Petras, before he even entered office, Lula confirmed an agreement with the International Monetary Fund to complete payment of Brazil's debt, prioritize macroeconomic stability, and to see through the neoliberal reforms mapped out before him (281). Moreover, within the first three years of office, Lula lowered workers pensions by 30%, and reduced spending on social programs including health and education by over 5% (281-2). Furthermore, Lula held interest rates as high as 18.5% in the industrial sector while at the same time lowering major tariff barriers. To the dismay of the social needs of Brazil, these were not the only policy decisions which favored neoliberal policy over leftism.

Failing to uphold promises to the Landless Workers' Movement that 100,000 families per year would receive land issued by the government, Lula's administration provided 25,000 families with new land—23,000 less families per year than President Cardoso had managed to complete in previous years (Ibid). Under Lula, the agro-export and timber sectors have pushed deeper and deeper into the Amazon rain forest and indigenous territories while budget cuts for the Environment and Indigenous Affairs Agencies have ensued simultaneously. For Petras, on top of these facts, Lula's decision to favor trade agreements with Asia, Europe, and North America over regional integration suggests that he "fits closer the stereotypical profile of a right-wing neoliberal politician rather than a 'centre-left' president" (282).

Ecuador

According to the *New York Times*, *The Financial Times* and journalists

throughout the Western Hemisphere, Rafael Correa, president-elect of Ecuador, is also a commonly quoted example of the “New Wave of Leftist Presidents” in Latin America (Petras, 2009, 4). While Petras acknowledges Correa’s leftist tendency in terms of foreign policy initiatives and opposition to US hegemony, he claims that Correa is hailed as a leftist leader due to “what and who he opposes, rather than any social structure changes” (Ibid). Petras points out the expansion of foreign ownership in natural resources within Ecuador during Correa’s presidency: as much as 57% of petrol alone is produced by foreign multinationals (Ibid). Moreover, while Correa has received acclaim for “vigorously” attacking “the coastal-financial, agro-commercial capitalist class,” he has simultaneously “supported and subsidized the [Andean based] capitalist class (2009, 5).

Following a brief review of Petras’s critiques of the economic policies endorsed by Vazquez in Uruguay, Morales in Bolivia, Lula in Brazil, and Rafael Correa in Ecuador, claims for a leftist surge of politicians since the neoliberal era are sufficiently challenged. Despite initial acclaim by leftist intellectuals upon entrance to political office, each of these presidents maintained neoliberal policies including the lifting of trade barriers, further privatization of national companies, and adherence to IMF doctrine (Petras, 2006). With convincing evidence, Petras’s study suggests that many of the scholars claiming a leftist turn could be wrong. Why have so many scholars claimed that new winds from the left are evident in Latin America if many of the leaders at the forefront of this idea have proven to be at best centralists rather than center-leftists?

How Can Such Diversity in Scholarship Be Explained?

As Petras demonstrates in his 2006 study, one of the ways left-leaning leaders in

Latin America are critiqued is by their rejection or adherence to the neoliberal policies set out before them. While all leftist leaders verbally portray a commitment to impartial growth and redistribution of resources, employment of neoliberal policy varies considerably from leader to leader. In light of the complexity involved in accurately aligning leaders in Latin America, observers in recent years have favored three schools of thought in explaining post-neoliberal politics. One way scholars have chosen to address the diversity of policies witnessed since the turn of the millennium is to subdivide leaders into categories of different types of left. Another way scholars have explained differences among the left in Latin America is to claim that an alternate form of development has emerged which envelops the importance of markets yet fails to ignore societal needs. Filling in some of the gaps between these two schools of thought, some scholars have also pointed towards a resurgence of populism to help explain the reformed political economy of the region.

Does further classification lead to clarification?

Agreeing with Petras that a unified leftward shift among leaders is hard to prove in Latin America, scholars such as Jorge Castañeda believe that dichotomizing the left helps to explain why some leaders have held on to neoliberal policies and others have not. For Castañeda, the modern left in Latin America can be divided into two categories—one social democratic representing “modern, and open-minded” leaders seeking “integration with the global community,” and the other, “nationalist, strident and close-minded” populists (Castañeda 2006, 1). He argues that Argentina, Venezuela and Bolivia represent the populist left while Brazil, Chile and Uruguay exemplify the more

modern, reformed-left of Latin America.

The application of such labels to leaders in Latin America has been contested by scholars. Maxwell Cameron claims that “dichotomizing the left results in a misunderstanding of the nature of international alignments and conflicts in the Western Hemisphere” (Cameron, 2009, 342). Cameron, along with Héctor Schamis argue that “for the purpose of consistency,” “finer characterizations and more exact classifications of the cases” are necessary (Cameron, 2009; Schamis 2009, 1).

Adhering to the claim for further clarification, Kenneth Roberts divides the left into three parts including post post-Marxist social democracies, populist movements, and the left born of social movements (Roberts, 2006). Taking a different approach, Héctor Schamis divides the left according to the way in which leaders are elected. He argues that countries such as Chile, Brazil and Uruguay represent the left with “institutionalized party systems,” while Argentina and Peru represent the “disjointed party politics” left (Schamis, 2009 as cited in Cameron, 2009, 335). Adding a third category, Schamis claims that countries such as Bolivia and Venezuela make up the “petro-Left” (Ibid).

As noted, politically labeling leaders in Latin America is a very complex undertaking. While some scholars argue that further categorization leads to clarification, others argue that doing so causes more confusion and false labels. Arditi goes so far as to argue that “adding shades of gray and expanding the number of lefts to three, four or more” offers little scholarly advantage and “makes the qualifier *left* superfluous” (2008, 3). By dividing leaders into various categories or types of left, scholarship has moved away from the intended purpose at hand: determining whether or not leaders are even leftist in the first place. For this reason, Chapter 3 will provide a section in which

concentration is given solely to determining whether or not a single policy (the soybean export tax policy) is leftist. Differing from the scholarship mentioned above that subdivides the left, Chapter 3 will first determine whether or not the tax can be considered leftist. Only after this step has been taken can implications regarding other ways of categorizing the policy be discussed. Once a complete analysis of the leftist characteristics of the soybean export tax has been conducted, implications will be discussed at the end of Chapter 3 and again in Chapter 5.

Populism in Latin America

The discussion of populism has been included in this study for several reasons. Primarily, populism is a central feature of this study because it is one of the most referenced responses to neoliberalism in Latin America among scholars. Secondly, the discussion of populism is important because it helps observers to further understand why leaders sometimes choose the policies that they choose. According to Bueno de Mesquita et al., when analyzing leaders two basic principles must be kept in mind: (1) that leaders will choose policies which they feel are best for the public welfare of their country (2) leaders will often make policy decisions which benefit their political strategy and self-interest to stay in power (2003).

Keeping the first assumption in mind helps to explain why many leftist policies addressing social needs were implemented in post-neoliberal Latin America. At a time when poverty, unemployment, and inequality rates were especially high, leaders employed socially-conscious, leftist policies to address these issues. Considering the second assumption reveals another reason why leftist policies were employed. Taking

into account the popular mobilization that occurred at the time, pursuing leftist policies was also beneficial to the political strategy of leaders in the region.

In the case of Argentina, pursuing leftist policies in a strategic and populist manner proved to be essential to the Kirchners' political strategy. Following the neoliberal regime of Carlos Menem in which policies from the political right were often employed in a populist manner which benefited elites, one could have expected that leftist policies addressing those who had been marginalized in the neoliberal era would come about. In the midst of the 2001 financial crisis and protests in Argentina described in the introduction, marginalized members of the lower and middle classes joined forces and demanded change. While the policies of the neoliberal era including privatization and the lowering of taxes opened the door to collaboration with elites in Argentina, the social effects of this time period facilitated a similar political strategy yet aimed towards very different social groups. While capital elites were an important part of Carlos Menem's political strategy, the lower and middle classes would prove to be important for leaders in post-neoliberal Argentina.

The mobilization of thousands of citizens at the end of the neoliberal era was not unique to Argentina. In fact, scholars such as Kenneth Roberts have suggested that the political and societal environment at the end of the neoliberal era provided a potential "political space for new forms of popular mobilization" throughout Latin America (2006, 145).

Appealing to a cross-coalition of political and social groups, some leaders in Latin America have displayed populist tendencies in maintaining power and political approval

because of their ability to strategically target the interests of historically non-aligned social and political sectors. In the case of Argentina, popular mobilization of the lower and middle classes made this process even easier.

While scholars such as Héctor Schamis have claimed that “populism is history,” others such as Neal Richardson, Kenneth Roberts, and Maxwell Cameron argue that populism is alive and well in Latin America (Schamis 2006 as cited in Richardson, 230; Roberts, 2006; Cameron 2009). Jorge Castañeda has gone so far as to say that “populism has almost always been present almost everywhere in Latin America” and Roberts suggests that it will “remain a central feature of the region’s political landscape” in years to come (Castañeda as cited in Cameron, 2009, 334; Roberts, 2006, 145). What explains such wide ranging opinions? Similar to the debate regarding leftism, one’s acceptance to the existence of populism in the region today depends on his or her own understanding of the term. Nonetheless, rather than “drop the concept altogether” as Schamis suggests, “populism can be an extremely useful building block for theory” (Cameron, 2009, 335).

The fact that “a broad range of organizational outcomes fits under the rubric of populism” and within populism “diverse patterns of sociopolitical mobilization” exist, the term becomes difficult to define (Roberts, 2006, 127). Explaining populism at its most basic level, Roberts suggests that it can be identified as “the top-down political mobilization of mass constituencies by personalist leaders who challenge elite groups on behalf of an ill-defined *pueblo* or “the people” (Roberts as cited in Cameron, 2009, 336). Kurt Weyland offers a more political definition; For him,

“Populism is best defined as a political strategy. Political strategies are characterized by the power capability that types of rulers use to sustain themselves politically. Under populism the ruler is an individual, a personalistic leader, not a group or organization. Populism rests on the power capability of

number, not special weight. Populism emerges when personalistic leaders base their rule on massive yet mostly uninstitutionalized support from large numbers of people” (Weyland, 2001, 18).

Further confusing a concise understanding, scholars such as Moreno-Brid and Paunovic suggest a more economic definition of populism as “a set of policies...based on (a) the surge of fiscal or external imbalances that cannot be sustained, and (b) the persistent intervention of the government through direct control of prices in key markets in an excessive and unsustainable form” (2008, 83). With such distinct examples of the many interpretations of populism inevitably comes an array of questions: “Does it refer to a movement, a political ideology, a political technique or practice? Is it of the same order as socialist, conservative, liberal, communist or fascist? Is populism a moment of transition within the development of democracy or a constant dimension of it?” (Gillespie, 2006, 1).

In answering such questions, Ernesto Laclau, an Argentine political theorist, believes that “there is no such thing as pure populism; rather it is a particular way of creating political identity through the discursive construction of the people and their enemies, often by charismatic or authoritarian leaders” (Gillespie, 2006, 2). Furthering the difficulty in describing populism, it has not always been pinned with a certain left or right political label. Roberts argues that populism can fit under a variety of political ideologies and policies including those of both “state-led import substitution industrialization and market-oriented neoliberalism” (2006, 127).

Considering the difficulty in defining populism, one may not be surprised to learn that there is much debate among scholars over who represents populism in Latin America and who does not. On one hand, there are scholars such as Petras and Castañeda who argue that populism exists in several countries throughout Latin America. In his 2006

study, Petras presents declarations of populist measures among a variety of leaders. Petras brings up the “choreographed political gestures” used by many of these leaders to initially gain and later maintain political power. He notes that populist images extend beyond backgrounds—Evo Morales as a poor, indigenous coca farmer; Lula as a trade union leader; Néstor Kirchner as a leader of the Montoneros—and into the rhetoric of their speeches, delivered in a “populist, folkloric style” (Petras, 2006, 283). Petras points out Lula’s “populist symbolic gestures,” and Evo Morales’ constant attempt to identify with the masses “being” no different from them and “belonging” to them (283-288). In ways such as Peru’s Alejandro Toledo wearing a pancho and delivering campaign speeches in Quechua, Petras even declares that Toledo and Lucio Gutierrez of Ecuador both employ populist measures to gain support (2006, 289).

On the other hand, some scholars argue that limited evidence exists for populism in the region. Matthew Cleary suggests that “Hugo Chávez is the only sitting president who is unambiguously populist” (Cleary as cited in Cameron, 2009, 334). However, Moreno-Brid and Paunovic, argue that “with the exception of Argentina, practically none of [the governments mentioned above] can be described as populist” (2008, 83). On top of these declarations, other scholars classify Evo Morales as a populist (Castañeda, 2006).

To further explore the disagreement among scholars over clearly labeling leaders in Latin America today, observers may find it beneficial to understand that even among two of the most referenced “populists”—Evo Morales and Hugo Chávez—wide disagreement among scholars exists. Castañeda argues that both leaders are an example of the populist-left that has emerged since the end of the neoliberal era. On the other

hand, Cameron believes that grouping Hugo Chávez and Evo Morales into the same category is a “grave mistake” (2009, 334). In the case of Venezuela, seeking to alleviate inequalities using state intervention “on behalf of a broad multi-class coalition,” Chávez is clearly a populist according to Cameron (Ibid). He argues that Hugo Chávez has gained and maintained power using “plebiscitary means to centralize and consolidate” the executive branch while at the same time supporting aggressive popular mobilization to “keep his opponents off balance” (Ibid). In regard to Morales on the other hand, Cameron argues that he has been able to gain political prestige in Bolivia largely due to his involvement in and support of an indigenous social movement. For Cameron, this “bottom-up mobilization of grassroots social movements” strikingly differs from populism’s “top-down, patron-client political exchanges (Ibid).”

The difficulty in properly defining populism inevitably complicates the labeling of populists in Latin America since the neoliberal era. Even with countless numbers of interpretations of populism, “minimal agreement on type of conceptualization and definition of terminology is important in facilitating scholarly communication, debate and criticism, and the cumulation of knowledge” (Weyland, 2001, 18). For this reason, common themes in distinct interpretations will be used to test the populist nature of the soybean export tax and its implementation in Argentina. As a definition of populism has not been agreed upon, four principal features in recent discussion may be used to formulate a common definition: (1) the existence of a charismatic, personalist leader who prioritizes a (2) large, multi-class and uninstitutionalized *pueblo* or ‘the people,’ through (3) a political strategy which may (4) challenge ‘elites’ or opposition groups.

While several differences can be noted when comparing scholars’ interpretations,

the four common themes mentioned in the definition above will be utilized in analyzing the soybean export tax as a populist policy in Chapter 4. For the purpose of this study, the implementation of the soybean tax, the allocation of funds from the soybean tax and the rhetoric involved regarding the debate over this policy will all be considered.

Similar to the methodology which will be used in Chapter 3 to contribute to the debate regarding leftism in Latin America, Chapter 4 will provide an in-depth look at all that surrounds the soybean export tax policy in hopes of providing evidence for or against populism in the region. Rather than getting caught up in the complex debate over individual leaders as being *pure* populists, this study will use the four characteristics of populism mentioned above and apply them to one individual policy.

Conclusion for Responses to Neoliberalism in Latin America

Upon observation of the social and economic situation following the neoliberal era at the turn of the millennium, scholars began to question what the political responses to this era would be in Latin America. Some argued that a return of the left could be anticipated. Others argued for a potential resurgence of populism in the region. Ten years later, agreement over the political responses to neoliberalism in Latin America has not been reached among academics. While scholars have strived to analyze leaders as a whole, little scholarship has focused on the individual policies of political figures. This has led to the current situation in which scholars' declarations of the political alignment of leaders in Latin America are immediately rejected by others. As a result, no single leader has been unarguably declared leftist or populist since the end of the neoliberal era. Because of this fact, scholarship is needed that steps away from a focus of attention on

leaders and instead concentrates on individual policies. By examining the soybean export tax policy in Chapter 3 and Chapter 4, this study aims to contribute to the scholarly debate regarding leftism and populism in Latin America since the end of neoliberalism.

Chapter 3: Using the Soybean Export Tax Policy to Explore Leftward Shifts in Argentina

As discussed in Chapter 2, scholars do not agree on the existence of a leftward shift in Latin American politics since the end of the neoliberal era. In part, this is because most scholarship debates whether or not leaders as a whole can be considered leftist. As readers note from Petras's critiques in Chapter 2 of some of the most frequently referenced "leftist" leaders among academics, (with the exception of perhaps Hugo Chávez) no leaders in Latin America can be considered *purely* leftist. Nonetheless, this does not mean that a leftward shift has not taken place in the region. Differing from Petras's study, when observers contemplate policies rather than leaders as a whole, evidence emerges for a leftward shift. Taking this into account, this chapter will examine an individual policy as it applies to leftism rather than discussing an individual leader.

Argentina and the Soybean Export Tax

Argentina does not differ from the countries mentioned in Chapter 2 in terms of scholars' inability to pinpoint ideological shifts within the country since the neoliberal era. Just as some scholars have argued that Argentina represents a leftward shift in Latin America, others argue that leaders cannot be labeled leftist due to their failure to fully commit to the employment of leftist measures. Following the exploration of the debate among scholars over the possibility of a leftward shift in Latin America as it specifically applies to Argentina, this chapter will elaborate on the need for scholarship to take a step

back and examine individual policies in order to more accurately determine shifts in Latin America since the neoliberal era.

The soybean export tax is important to explore because it has proven to be a key financial source for the Argentine government since 2002. From 2003 to 2008, revenue gained from this policy made up 60% of the government's \$30 billion gained from taxes on commodity exports (Fracchia, 2008). Moreover, in 2008 the policy brought in a record \$11 billion for the government in one year alone ("La tendencia bajista no detiene su marcha," 2010). An analysis of this policy offers significant insight into determining the ideological nature of those who employed the policy. Rather than applying general labels (and a variety of categories within such labels) to the soybean export tax as many scholars have done to politicians in Latin America, this chapter will test the policy according to one set of criteria. Using Petras's 14 points defining leftism as historically agreed upon by scholars, this chapter will determine whether or not the soybean export tax policy can be considered leftist.

Challenges to a leftward shift in Argentina

By first exploring the debate over a leftwards shift in Argentine politics, this section of Chapter 3 will contribute to the understanding among observers of the need to focus on policies rather than leaders to determine shifts since the neoliberal era. In his 2006 study, Petras notes that Argentina under Néstor Kirchner was one of the countries claimed by scholars to have undergone a leftward shift since neoliberalism. Yet Petras believes that this claim is false. Most notably, he criticizes the declaration of Kirchner's administration as leftist because it did not nationalize any of the industries that were

previously privatized under Carlos Menem in the 1990s. Moreover, he claims that Kirchner's administration did not *directly* increase wages or salaries in Argentina⁷. Rather, inequalities increased or stayed the same, and the Kirchner Administration failed to redistribute "property, income or power—except among the different segments of the capitalist class" (Petras 2006, 283-4). While Petras recognizes that economic growth and "some social amelioration" have occurred under Néstor Kirchner, he says that this has mainly been due to "favourable world commodity prices" rather than actual structural change in society or the economy (283). Moreover, Petras criticizes Néstor Kirchner's foreign policy as being "hardly anti-imperialist" and comments on the high unemployment rates combined with weak unemployment relief programs in a country which at the time of his study suffered employment rates as high as 17% (Ibid). Even applying these few examples, Petras makes a strong case for the absence of a clear-cut leftward shift in Argentine politics.

Evidence of leftism in Argentina

An important distinction to make is that while Petras is right in arguing that leaders in Argentina cannot be considered purely leftist because they have not embraced *only* leftist policies, this does not mean that a leftward shift in the policies employed since the neoliberal era has failed to take place. Although Petras focuses his study on the presidency of Néstor Kirchner, I find that a clear understanding of the policy changes before Néstor Kirchner's presidency offers clarification in determining shifts in Argentina. While Petras focuses on the ways in which Néstor Kirchner failed to promote

⁷ (2006, 283). While this is technically true, Richardson argues that Néstor Kirchner indirectly increased real wages in ways such as providing food subsidies for two of the most important products in the domestic basket: beef and wheat (2008).

leftist policies, he does not address the fact that Kirchner maintained many of his predecessor's heterodox policies.

The end of neoliberalism and the beginning of leftist policies

Although Argentina experienced high growth rates in the early 1990s due to some of the neoliberal policies imposed by Carlos Menem, much of this growth was dependent upon foreign investment and institutions such as the IMF (Grugel and Riggirozzi, 2007, 92). However, following the Tequila Crisis in Mexico in 1995, investor confidence was deeply shaken and capital flight began to occur throughout the country. While the Menem Administration was able to maintain the same neoliberal policies for a few more years, growth rates soon slowed. The 1997 Asian crisis and the 1998 Russian and Brazilian crises contributed to Argentina's deep recession. As capital flight grew to an all-time high, several of Argentina's main trading partners—including Russia and Brazil—faced financial distress (Grugel and Riggirozzi, 2007, 92).

Immediately following these events, a few policy maneuvers imposed in 2000 by newly elected Fernando de la Rúa's finance minister, Domingo Cavallo, served as a last ditch effort to try and save Argentina's collapsing economy. Instead, they led to further public unrest and opposition to the neoliberal era. The first, an austerity measure known as the Zero Deficit Plan "cut pensions and public sector wages by as much as thirteen percent, and reduced federal transfers to provinces" (Grugel and Riggirozzi, 2007, 93). The second, the *Corralito*, restricted withdrawals and money transfers by individuals and institutions of more than \$300, in an attempt to slow further capital flight (Ibid). The result was social chaos. The middle class joined with public sector employees, and the

Piqueteros (unemployed workers movement) to seize public spaces across the country in strong protest against the government. In response, De la Rúa mobilized government forces in repression of the demonstrations leading to the social unrest and deaths mentioned in the introduction.

Protests continued until the eventual resignation of both De la Rúa and Cavallo in December of 2001. Until the January 2002 appointment of previous congressional leader and Peronist, Eduardo Duhalde, the country remained in a state of chaos as Argentina defaulted on its debt and the peso lost a third of its value. With some of the highest poverty rates in recent history, 57.5% of the country fell below the poverty line and 27% were unemployed (Grugel and Riggirozzi, 2007, 94). Furthermore, “while the 10% richest group saw their income rise from 34% to 38% in the 1990s, the lowest 20% saw their income decline from 4.5% to only 3.8%” (Munck, 2004, 82). Not surprisingly, the slogan chanted with animosity towards neoliberal leaders by both the lower and newly-unemployed middle class was “Que se vayan todos!” or “Out with all of them!” (Grugel and Riggirozzi, 2007, 94). The masses called for change and their cheers served as a clear rejection of the neoliberal model implemented by presidents in previous years.

Adhering to the demands of the lower and middle class protesters, Duhalde initiated a new political and economic approach that rejected the neoliberal demands of the IMF to regain investor confidence and establish austere stabilization programs. These policies included the implementation of a “dirty” float competitive exchange rate policy, the building up of Central Bank reserves, and the maintenance of a large primary fiscal surplus (Americas Policy Program Special Report, 2008, 2). Focusing on social services and a “a new alliance between the state, markets and civil society,” Duhalde promised to

sponsor welfare programs and put the interest of those devastated by the previous two decades before all else (Grugel and Riggirozzi, 95). Following up on this commitment to leftist attributes, Duhalde's administration also focused on the needs of domestic industry, "marking a critical break with neoliberalism" (Ibid). Lastly, Duhalde abandoned the convertibility plan and converted outstanding financial deposits to pesos.

What this meant for Argentina was a devaluation of the peso leading to more competitive exports and a commitment to domestic industry. Duhalde established price controls, raised taxes to support social works programs and even established a *Mesa de Diálogo* where actors from several sectors of Argentine society—including labor groups, NGOs, political parties, religious groups and businesses—could meet and negotiate the new direction of the Argentine economy (Ibid, 96). Not only did such maneuvers bring about the first notions of economic recovery, but they also proved that leftist policies could serve as a successful tool in responding to some of the social devastation caused by neoliberalism. Subsequently, Duhalde's policy decisions set the stage for the continuance of leftist policies coinciding with a new, "anti-neoliberal campaign" for Néstor Kirchner in 2003 (Ibid).

Evidence of leftism under Néstor Kirchner

Although scholars such as Petras have argued that Néstor Kirchner has made few changes since the neoliberal era, evidence suggests that Argentina has maintained a continual shift to the left since he was elected president. While it may be true that Argentina under the Kirchner Administration has not met all of the 14 points listed in Petras's study of the political left in Latin America, identifying Néstor Kirchner as a

“pragmatic conservative” seems to be off the mark when considering the leftist policies in his first few years as president (2006, 284).

Upon taking office, Kirchner began to take measures to try and re-boost Argentina’s economy while at the same time paying special attention to the many social needs of the country. Following the devastation felt by the economic crisis of 2002 and the ensuing success of Duhalde’s policy changes, Kirchner’s continuation of leftist alternatives to neoliberalism were warmly accepted. Although he was elected by default following the withdrawal of Carlos Menem in the 2003 presidential elections, within months Néstor Kirchner received 80% approval ratings for his “image as a socially conscious, socially responsible politician and his forthright commitment to job creation and domestic industry” (Grugel and Riggirozzi, 2007, 97).

Throughout his presidency, Kirchner attempted to rebuild domestic industry while at the same time promoting social works projects—two elements that are essential to leftism according to the criteria set out in Petras’s 2006 study. Contrasting the neoliberal era under Menem in the 1990s, “the state began to take on a role in stimulating economic growth” (Ibid). Continually shifting from neoliberal ideology, Kirchner began to strengthen regional ties with Brazil, Venezuela and Bolivia through the financial integration of Mercosur and newly developed energy projects—a sign of Argentina’s desire to reestablish independence from the IMF following the settling of debt payments in 2005.

Some of the most obvious leftist policies have included favoring domestic industry over exports, the implementation of progressive taxes, an attempt to increase real wages for the working class, a continual devaluation of the Argentine peso (thus

contributing to further independence from international lenders), unemployment assistance, and quotas on specific exports to maintain low domestic prices of wage goods⁸ (Richardson, 2008; Grugel and Ruggirozzi, 2007). Furthermore, Néstor Kirchner subsidized energy and transportation so much so that from 2003 to 2006, government spending on energy increased more than seven-fold and spending on transportation more than tripled (Ibid). Néstor Kirchner also managed to maintain the support of major labor federations, and promoted a variety of social works and services programs. Thus, according to scholars such as Richardson, Grugel and Ruggirozzi, of the 14 points defining leftism in Petras's study, Argentina under Néstor Kirchner met at least six of these goals, therefore adhering to the idea that Kirchner's policies contributed to a leftward shift in Argentine politics.⁹

Tracing the arguments of scholars such as Petras suggests that a clear-cut, leftward shift has not occurred in Argentina. This is because studies such as Petras (2006) focus on individual leaders as being purely leftist. According to Petras, in order for leaders to be considered leftist, they must not break with the historically agreed upon 14 points defining leftism. Therefore, labeling Néstor Kirchner a "leftist" is not completely accurate. Such an analysis leads to the assumption that a leftward shift has not taken place in Argentina or Latin America. At the same time however, observers must note that Néstor Kirchner, along with Duhalde and Cristina Kirchner have embraced some leftist policies since the end of the neoliberal era. When examining policies rather than

⁸ As noted in previous pages, the increase in real wages was often done *indirectly* through providing subsidies for consumption and production. "Wage goods" are the products on which the working class spends a considerable portion of their income (Richardson, 2008).

⁹ Among these goals include: increasing living standards, establishing progressive taxes, favoring domestic industry, and prioritizing social expenditures and public investment in jobs.

individual leaders, the debate over a leftward shift in politics since the neoliberal era must be revisited. Providing an in-depth look at the soybean export tax policy aims to contribute to this debate.

Examining Argentina through the Lens of the Soybean Export Tax

Arditi argues that “the identity of political groupings shifts in accordance with the hits and misses of [leaders] projects.”(2008, 3). Taking this into account, if scholars want to more accurately analyze shifts in Latin America, a need for scholarship that clarifies the ideological nature of individual policies exists. If individual policies are under analyzed, scholars cannot make accurate judgments of those who administer them. This subsequently calls for scholarship that will take the debate over leftism a few steps backwards and observe individual policies. An analysis of the soybean export policy in Argentina set up against qualities determining leftism offers significant insight into determining the ideological nature of shifts in Argentina politics since the neoliberal era.

In his 2006 study, Petras outlines 14 specific characteristics of leftism as agreed upon historically by scholars. Out of the 14 points, seven are relevant to the implementation of the soybean export tax policy in Argentina. Tracing the soy tax from its current rate of 35% back to its reestablishment in 2002, the following seven points (using Petras’s numbering) will be used to determine whether or not the soy tax can be considered a leftist policy:

1. Decreasing social inequalities
2. Increasing living standards
4. Progressive taxes (on income and corporations) over regressive taxation

5. Budget priorities favoring greater social expenditures and public investments in jobs rather than subsidies allocated to capitalist producers and to foreign debt payments
8. Subordinating production-for-export to the development of the domestic market
9. Popular participation and power in decision-making, not least central planning, as opposed to de facto rule by business, international bankers (IMF) and political elites
13. Doubling the minimum wage

These seven policies have been chosen out of Petras's fourteen points because the other seven (such as "11. Adoption of a progressive foreign policy targeted against the global spread of laissez faire economics, military bases, and imperial wars and occupation" are not applicable to the soybean export tax policy. When analyzing this policy using the relevant points of Petras's study, observers will find that in many ways, the tax *is* a leftist policy. However, there are important exceptions in which the tax can also be considered non-leftist.

#2. Increasing living standards & #5. Public investment in jobs

In determining the "leftness" of the soybean export tax, one must first return to the roots of the policy. While a few export taxes existed under Carlos Menem including small taxes on unprocessed oilseeds and raw leather products amounting to less than 5%, nearly all of them were effectively dismantled in the neoliberal era. However, in response to the social effects of neoliberalism, export taxes were reinstated shortly following the 2001 financial crisis. Under Resolution 11/2002 of the Ministry of Economy and Infrastructure, the Duhalde Administration oversaw the raising of taxes to 10% on raw

exports and 5% on processed agricultural products (Richardson, 2007, 241). Promising that the export taxes would be temporary, the government sought to use revenue from these taxes to alleviate some of the social pains caused by neoliberalism (Ibid). From the very start, the export tax aimed to address two of Petras's relevant points. The commodity taxes were initially used as a redistribution method to increase living standards of the destitute and fund programs to increase public investment and jobs for the unemployed (Ibid). When commenting on the reestablishment of export taxes, Minister of the Economy Remes Lenicov stated, "Clearly, when you take this type of measure, you do not do so with satisfaction, we do it in the face of the crisis which the country is experiencing" (Dowd, 2009, 58). In the ensuing months after this tax policy was reinstated, the peso continued to lose value, and the government subsequently increased export taxes to 20% on all oilseeds and their derivatives including the soybean.

While the government initially regretted having to use the export tax, the revenue was soon used as a basis for the emergency social programs established following the economic crisis (Grugel and Riggirozzi, 2007). Striving to address depleted living standards in this time of need, the revenue was allocated to providing food, medication and subsidies to those most affected by the crisis (Ibid).

Revenue from soy taxes contributed to the establishment of such programs as *Jefas y Jefes de Hogares Desempleados* (Grugel and Riggirozzi, 2007, 96). Similar to Franklin Roosevelt's New Deal, this program aimed to provide small amounts of money (\$150 pesos per month) to impoverished persons in exchange for "community service, construction, school maintenance, rebuilding health facilities, road works, communal kitchens, house building, etc." (Ibid). Other programs funded by the export tax included

Familias which aimed to increase school attendance records of impoverished children and *Manos a la Obra*, which sought to enhance employment through the creation of cooperatives and other working initiatives (97). These programs, some of the very first beneficiaries of the soybean export tax revenue, serve as indicators of the leftist nature of the revenue allocation. They increased the social wellbeing of impoverished citizens as well as tended to favor “social expenditures and public investment in jobs over subsidies allocated to capitalist producers and foreign debt payment,” the fifth point in Petras’s study (2006).

#13. Doubling the minimum wage, #2. Increasing living standards, & #8 developing the domestic market over export production

While another one of Petras’s points, “Doubling the minimum wage,” is not directly related to the soybean export tax per se, the policy does relate to an increase in wages. According to Levitsky and Murillo, from 2002 until 2007, Argentine workers experienced a 70% increase in wages (2008, 17). While “some of the soy tax went directly to public sector wages as nominal wage increases,” the soy tax revenue was also used to increase wages by subsidizing food items. Because many of the subsidized products, including beef and wheat, are part of the basic food basket, these are considered “wage goods” because they make up a significant amount of the average worker’s expenditures (Richardson, 2007, 232). As urban workers spent less on such food items, they were able to spend more on other costs, thereby increasing purchasing power and leading to enhanced wages. While this function does not fulfill Petras’s point of doubling the minimum wage rate, it did contribute to an increase in wages worth noting and

arguably an increase in living standards.

In a similar fashion, when export taxes were increased to 24% for soy products and 27% for unprocessed soy oilseeds in November of 2007, the additional revenue gained was utilized to continue subsidizing for the domestic consumption of wage goods while simultaneously promoting domestic industry (Richardson, 2007, 242). By taking funds garnered from the export sector and allocating them to promote domestic industry, the implementation of the soybean export tax revenue fulfilled Petras's eighth point of characteristics defining leftism by favoring the "[development] of the domestic market over export production" (2006).

Of the additional \$400 million distributed by Argentina's *Oficina Nacional de Control Comercial Agropecuario*, 30% of the funds went to the poultry industry, 30% reached the dairy industry and 15% was targeted at the promotion of wheat production (Richardson, 2007, 242). Moreover, working hand in hand with a 180 day restriction on beef exports to increase the supply of domestic beef, \$10.7 million of the additional funds were used for subsidizing cattle feedlots in order to promote a further reduction in beef prices (Ibid).

Aside from promoting domestic industry and subsidizing "wage goods," items in the basic food basket have not been the only goods subsidized by the export tax revenue. Rather, increases in living standards and wages have also been due to subsidies allocated to energy and transportation use. These activities made up as much as 12% of the national budget in 2006 (Richardson, 2007, 243). In fact, in the first three years of Néstor Kirchner's presidency, public expenditures on energy increased seven times while those on transportation "more than tripled" (Ibid). Not only does this element of the soy tax

touch on an increase in wages and living standards, but it also tends to convey that the soy tax favors “greater social expenditures” over “subsidies to capitalist producers and debt payment,” thus fulfilling the fifth point in Petras’s study.

A closer look at some of the “leftist” attributes of the soy tax

Just as establishing a response to neoliberalism and politically aligning leaders in Latin America are difficult tasks, even when broken down into individual policies such as the soybean tax, complexities ensue. While many of the aspects mentioned above portray the leftist nature of the soybean export tax in Argentina, a closer look at some of them in light of other issues revolving around the policy reveals its non-left attributes. Although Néstor Kirchner initially used the soybean export tax to fulfill the fifth point in Petras’s study by prioritizing “greater social expenditures and public investment in jobs, rather than subsidies allocated to capitalist producers and to foreign debt payments,” eventually, some export revenue was allocated to paying off foreign debt as well. According to Grugel and Riggiozzi, after 2005, much of the new found wealth of the export tax revenue was spent “paying off international creditors” (2007, 99). In fact, rather than complying to a fixed repayment plan to the IMF, Néstor Kirchner opted to pay off all debt at one time in 2005, amounting to \$9.8 billion (Ibid). According to the fifth point in Petras’s study which calls for budgeting that prioritizes social expenditures and job creation over subsidies to capitalist producers and foreign debt payment, the decision to favor debt repayment over using this portion of the funds to address alarming poverty and inequality rates could be interpreted as non-leftist.

Reexamining #2. Increases in living standards & #5. Budget prioritizing social expenditures and public investment in jobs

When taking a closer look at how export tax revenue was allocated, critics may note that many of the leftist attributes of the soy tax were underdeveloped or served as short-term, unsustainable fixes to much larger problems. In terms of being underdeveloped, the policy supports the argument of Levitsky and Murillo who note that “Néstor Kirchner missed an opportunity to redistribute wealth and reduce income inequality” as was taking place at the time in Chile and Brazil (2008, 28). While revenue could have been used as “conditional cash transfers to the poor,” they were instead often used in all-inclusive ways that did not address the first of Petras’s 14 points, “decreasing social inequalities” at a time when inequality rates on the heels of neoliberalism were at all time highs (Ibid).

The problem with allocating spending on the population at large rather than on the sectors most in need is illustrated well by Rosalía Cortés who describes the effect of the crisis on the middle class verses the poor: “the crisis affected the middle classes...but they still had food in the freezer and credit cards...in the *barrios*, there wasn’t even food to put on the table once a day...the middle class lost their savings but the poor went hungry” (as cited in Grugel and Riggiozzi, 2007, 105). What this episode called for was a leftist response of the government that would address such pressing social issues in a long-term manner rather than offering short-term fixes. However, just as Grugel and Riggiozzi state, “government policy has largely been to hope that rising employment levels, combined with minimal welfare spending, will solve the problem” (104). In terms of the allocation of the revenue gained from soybean export taxes, the problem is just the

same. In what Petras would identify as a non-leftist manner, the government chose to target funds in a way that would insignificantly help out the population at large rather than allocate funds in a way that would make lasting social changes for Argentina.

In a similar light, another critique that must be noted in regards to the policy and Petras's fifth point is that while it may be true that shortly following the crisis budgeting did favor "public investment in jobs," many of the jobs and programs that were created did not address the overall problem of unemployment in a meaningful way. While workers were given temporary employment in exchange for cash through programs such as *Jefas y Jefes de Hogares Desempleados* and *Manos a la Obra*, these were not formal, long-term jobs with benefits. Grugel and Riggiozzi note that such employment in the service sector was susceptible to job insecurities. As late as 2007, the "deterioration in the quality of jobs" left as much as 47.5% of the workforce without social insurance, much less permanent employment (2007, 104).

In fact, Kirchner's failure to address such issues served as a major platform for center-left opposition candidates of the *Alternativo por una República de Iguales* (102). Not surprisingly, the creation of temporary jobs from soybean export tax funding in 2003 left 27.4% of people ages 15-24 without out a job and 39% of them below the poverty line by 2005. Just as Grugel and Riggiozzi suggest, addressing these difficulties demanded "a concerted policy response from government which goes beyond simple job creation;" however, the policy has not been used to provide such a solution (Ibid). As a result, "levels of poverty and inequality remained higher in 2007 than they were during the mid-1990s" (Levitsky and Murillo, 2008, 28). Directly contradicting leftist aims to "decrease social inequalities" and "increase living standards" as well as provide funding

for “public investment in (assumable ‘long-term’) jobs,” the allocation of export taxes in such programs portrays its non-leftist characteristics.

#9. Popular power in decision making

Another way in which the policy is non-leftist is the way in which its implementation has violated the ninth point in Petras’s study of “Popular participation and power in decision-making” (2006). According to Levitsky and Murillo, “Néstor Kirchner’s presidency was characterized by a significant concentration of executive power...Kirchner governed at the margins of Congress and other institutions of horizontal accountability” (2008, 19). The soy tax was no exception to this non-leftist tendency.

Differing from other types of taxes, the export taxes on commodities and soy products were increased each time by the executive branch without the approval of the legislature. Under Article 775 of the Customs Code, the executive branch receives the privilege of setting export tax rates—a power not granted for other types of taxes (Richardson, 2007, 244). Although this law was created in 1981 by the military dictatorship as a means of responding to economic crisis, as late as six years after the crisis of 2002, the Kirchners continued to exploit this use. The most recent violation of “popular power in decision making” in regards to the soy tax took place on March 11, 2008 when Cristina Kirchner announced the initiation of progressive taxation adjusted to international prices which effectively meant an increase in soy taxes from 35 to 44.1% and lowered export tax rates on corn and wheat (Richardson, 2007, 250).¹⁰

¹⁰ After months of intense protest and refusal of many farmers to export, it must be noted that “ultimately, after the narrow defeat in the Senate of a bill that would have given legislative backing to the executive resolution, the president rescinded the new system of progressive export taxes on July 18, 2008” (Richardson, 2008, 250). By some observers, this may be regarded as a leftist example of Petras’s ninth

Constraining “the ability of the affected sectors to defend their interest,” such a policy serves as another example of the way in which the implementation of the soybean export tax can be considered non-leftist.

#4. Progressive taxes (on income and corporations) over regressive taxation

The final violation of the 14 points defining leftism is the way in which the soybean export tax system is structured. Not only missing an opportunity to decrease social inequality, the structure of the export tax also violates the fourth point in Petras’s study: “Progressive taxes (on income and corporations) over regressive taxation” (2006). For all but the three months of 2008 in which taxes were scaled to international prices, the export tax has been set at a fixed rate disregarding international prices, profit of producers, and amount of land owned by producers.

In order for the export tax to be considered a “progressive tax,” it would have to be applied in a way that taxes those with the highest profit the most (usually large-scale producers), leaving lower taxes for smaller producers. However, this tax has never been a “progressive tax (on incomes and corporations).” Rather, it is a tax on producers—both small and large, wealthy and poor alike.

Expanding upon this notion, observers should note the way in which the soybean export tax is extracted by the government affects producers of all sizes in the same manner. Each time that soybeans and their derivatives are exported by export corporations, the value of a given bushel of soy is determined by international prices. Export corporations receive the international price of soybeans and their derivatives minus the given export tax rate of soybeans set by the government. From this figure,

point although it was most likely done due to protest in the countryside and not as a means of sharing “power in decision making.”

export corporations keep a certain percentage to pay for transport expenses and to make a profit. The amount producers receive for a given bushel of soy is therefore the international price of soy minus the export tax rate and minus the amount export corporations keep for expenses and profit. This process applies to all producers regardless of size. In this manner, the soybean export tax affects all producers in the same way.¹¹

When commenting on the tax scheme, the government claims that this form of taxation is the most effective way of distribution, more so than a progressive tax on profits of the capitalist system (Fracchia, 2008). This, of course, depends on one's definition of "most effective way of distribution." Although the government seems to believe that the policy is better than a progressive tax system, it nonetheless violates both the second and fourth points defining leftism of reducing social inequality and progressive taxes on incomes over regressive taxation (Petras, 2006). Whereas a progressive tax would have higher rates for those bringing in the most capital, this system is fixed in a manner that is the same for everyone. Subsequently, the policy is certainly not beneficial in all *social* aspects as it threatens small and medium size producers.

According to Fracchia, the soybean export tax system creates a "regional redistribution of income that can be considered unjust" (Fracchia, 2008).¹² Not only can it be considered unjust in the sense that very little of the extracted financial sources are returned to the countryside but mainly because it threatens the ability of small farmers to continue farming. As "the profitability of both small and large-scale agriculture increasingly depends on soybeans," the export tax directly affects producers' incomes

¹¹ With this process in mind, if the international price of soy = \$500 and the government export tax rate is 35%, then the amount producers of *all* sizes receive = \$500 - (\$325) - export corporations profits (informal interviews with producers and export corporation employees, 2009).

¹² Original quote: "Implican una redistribución regional del ingreso que puede resultar injusta" (Fracchia, 2008).

and consequently their competitiveness in international and domestic markets (Richardson, 2007, 252; Fracchia, 2008). While such a system affects all producers in the same manner, the consequences for smaller farmers is much greater than for larger farmers.

When questioned about the effect of the policy on small and medium size producers, some producers argued this:

“The current situation is hurting everyone...what is happening today is that both small and large producers are being castigated, and as a result the smallest producers are disappearing and large producers cannot operate at full capacity” (Informal interview by author with large-scale farmer, 2009).

“When the pressure of the government comes in the form of taxes, it comes for everyone, those who have 50 hectares and those who have 5,000 hectares. What happens is that those who have 5000 may lose some investment but those who have 50 hectares disappear as producers because they cannot overcome the reductions in earnings. They cannot wait and say ‘we’ll see what happens with next year’s production’ and then make a decision; no, they have to feed their families.” (Informal interview with small-scale farmer, 2009).

These farmers trace the issue at hand well with their own personal testimonies. While the export tax revenue may be used in beneficial ways in city centers, it threatens the existence of small farmers in the countryside and can potentially lead to further unemployment and higher poverty rates.

While many scholars have claimed that one of the responses to the social decline caused by neoliberalism has been a leftward shift in Latin American politics, the aforementioned aspect of the soybean export tax provides evidence that contradicts this claim. During the neoliberalism era, more than 250,000 people working in the agricultural sector of Argentina lost their jobs (Paz, 2006, 68). Furthermore, over 100,000 small, family-based agricultural operations were dismissed due to their inability to

compete in a fast-paced, rapidly-changing agricultural market (Obschatko et al., 2007). Although the government had an opportunity to adjust this system when restructuring the taxes in March of 2008, they did not, and nothing improved for small-scale farmers. Rather, under Resolution 125/08 of the Ministry of Economy and Production, taxes were increased for all producers from 35 to 44.1% (Richardson, 2007, 250). Failing to address “decreasing social inequalities” and failing to favor “progressive taxes (on incomes and corporations) over regressive taxation,” the structure of the soybean export tax policy suggests that it cannot be considered a leftist policy.

Chapter 3 Conclusion: Not So Left, But Why?

As scholars to date cannot agree upon conclusions regarding the political responses to neoliberalism in Latin America nor the political affiliation of leaders, a need for scholarship that addresses individual policies has been noted. As Chapter 3 suggests, even mapping out the political ideology of one policy has its difficulties. In terms of increasing living standards, favoring domestic industry over export production, and increasing wages, the soybean export tax can be considered a leftist policy. However, it also shares non-leftist attributes. The export tax policy evades a chance to decrease social inequalities through progressive taxes, fails to share popular participation in decision making regarding the policy, and only sometimes budgets in a manner which favors greater social expenditures over foreign debt payment. Considering these aspects of the policy leads to the understanding that the soybean export tax cannot be considered *purely* left or non-left. The political and theoretical implications of this fact will be explored in detail in Chapter 4 and Chapter 5.

Chapter 4: Exploring the Soybean Export Tax Policy as a Populist Tool for the Kirchner Coalition

When examining some of the non-left attributes of the soybean export tax policy such as its failure to be progressive, failure to share power in decision making, and failure to consistently budget in a manner that favors social expenditures, one may note that there are political reasons underlying many of these aspects of the decision making process. Retracing Bueno de Mesquita et al. (2003), observers note that leaders choose policies which enhance the wellbeing of their country and contribute to leaders' political strategy to stay in power. Often times, policies are unable to address both of these aims at the same time. When this occurs, leaders are forced to address one goal over the other. The analysis of the soybean export tax in Chapter 3 demonstrated that the policy does not always address both aims. While it may have been more beneficial to the "public welfare" of Argentina for the soybean export tax policy to have contributed funding towards programs that address long-term issues such as extreme poverty and inequality, Chapter 3 provided evidence that the policy instead focuses at times on programs which create short-term fixes to much larger problems (Bueno de Mesquita et al., 2003, 21).

Chapter 4 suggests that this part of the decision making process for the soybean export tax reveals the use of the policy to enhance the political strategy of the Kirchners rather than pursue avenues which could perhaps better contribute to the public welfare of Argentina. Examination in this chapter of *who* has received funds from the policy, *how*

they have received funds, and *when* they have received funds from the soybean export tax suggests the use of the policy in a populist manner to benefit the political strategy of the Kirchner Coalition. By testing this evidence against the adapted definition of populism mentioned in Chapter 2, exploring the issues surrounding the soybean export tax policy in this chapter will reveal evidence for or against claims of a resurgence of populism in the region since the neoliberal era.¹³

Claims of Populism in Argentina

As mentioned in Chapter 2, some scholars have suggested that one of the responses to neoliberalism in Latin America has been a resurgence of populism. Argentina has been one of the countries at the forefront of this suggestion, and scholars such as Moreno-Brid and Paunovic (2008) have even suggested that Argentina may be the only true representative of populism in the region. Expounding upon the notion that Néstor Kirchner used populist measures throughout his presidency, Richardson connects the boom in export commodities to the resurgence of populism in the country (2008). Another scholar who has supported the claim of populism in Argentine politics since the neoliberal era is Jorge Castañeda, who argues that Néstor Kirchner served as a representative of the “nationalist, strident and close-minded” populists (Castañeda 2006, 1). On the other hand however, Maxwell Cameron argues that Hugo Chávez is the only indisputable populist, while scholars such as Héctor Schamis have gone so far as to argue

¹³ The definition of populism adapted for this study is: (1) the existence of a charismatic, personalist leader who prioritizes a (2) large, multi-class and uninstitutionalized *pueblo* or ‘the people,’ through (3) a political strategy which may (4) challenge ‘elites’ or opposition groups.

that populism no longer exists in Latin America—especially not in its twentieth century form (Cameron, 2009; Schamis, 2009).

One explanation for the differences among scholarship may be similar to that of the debate regarding leftism in Latin America—a focus on leaders rather than in-depth studies which focus on individual policies. In order to contribute to the larger debate over the resurgence of populism within the region since the neoliberal era, this chapter will examine, for this reason, the ways in which the soybean export tax can be considered a populist policy.

To analyze the soybean export tax as a populist policy, this chapter will first explore the inherent value of export taxes to potential populist leaders in general and then quickly move on to discuss why they are particularly valuable in Argentina’s case. From here, Chapter 4 will then demonstrate the presence of “the people” by noting *who* is receiving revenue from soybean export taxes and why this group is significant in relation to populism. Focusing on the methods at hand, this section will then demonstrate “political strategy” by examining the significance of *how* and *when* groups have received funds. Lastly, this chapter will note additional populist attributes of the soybean export tax, especially that of the rhetoric surrounding the tax—pitting the “*pueblo*” against the “elites” in the countryside.

Why would the soybean export tax be important to a populist?

Before visiting the specifics of why the soybean export tax can be particularly valuable to a populist leader, examining the nature of export taxes as policy tools in

general is helpful in answering this question. Differing from income taxes, export taxes afford governments the ability to “target a specific sector with focused taxes and funnel the wealth in any direction that they please” (Dowd, 2008, 43). Because of this ability, export taxes are “extremely valuable to political influence as the losses from such a policy are concentrated in a small group, and the gains are dispersed as the government sees fit” (4). While export taxes can be used in “benevolent” ways such as welfare enhancement, their susceptibility to a spoils system in which funds are “directed at a defined group, in return for political allegiance” makes them an especially useful tool for clientelism under populist leaders (Dowd, 2008, 6-7).

When taking these facts into account, observers may have a clearer understanding of why the government in Argentina has been unwilling to lower export taxes. A look at the protests surrounding the most recent conflict solidifies the notion that the soybean export tax in Argentina has become an increasingly valuable tool to the government.

In March of 2008, protests against the soybean export tax reached all time highs. On the heels of the government’s latest hike in the tax rate (from 35% to 44.1%), the four largest, and historically antagonistic groups of farmers united in the countryside to counter the policy with all means at their disposal. For 102 days, these groups blocked major highways, flooding the streets with farm equipment, and through the implementation of a *paro*, refused to export their products. Daily protests continued in the capital and throughout major cities, with as many as 300,000 gathering to protest in Rosario, one of the most important exporting cities (Paz, 2006). Although some of these protests were larger and stronger than some of the ones that took place during the

financial crisis of 2001, the government refused to significantly reduce export taxes on soybeans and other commodity products (Ibid).

While the fact that export taxes can play a crucial role for a populist's budget undoubtedly played a part in the government's persistence, a closer look at why the soybean export tax, specifically, is important to Argentina may shed more light to the question at hand. "Because soybeans have no domestic market [in Argentina's case], taxes on their export can only serve to increase government revenue" rather than lower domestic prices (Richardson, 2008, 242).¹⁴ Moreover, as mentioned in Chapter 3, under Article 775 of the Customs Code, the executive branch can set the export tax rate as it pleases without legislative approval (Ibid). If an autocratic, revenue-generating tax rate were not enough to suggest the susceptibility of this policy to populist exploitation, observers may also note that revenue generated from export taxes on commodities does not have to be shared with the provincial governments. "[Coinciding] with a centralizing shift in the distribution of fiscal resources within the Argentine federal system," one can see how such a policy could potentially rake in a slush fund of resources for those in charge (244). As will be noted, such funds were eventually exploited in a populist manner.

The soybean export tax policy did, in fact, bring in a considerable amount of revenue. "To be sure, soy played a large role in funding [Néstor] Kirchner's government. Export taxes comprised 8 to 11% of the Kirchner government's total tax receipts, and around two-thirds of this—nearly US\$2 billion in 2006—came from soy exports" (Richardson, 2008, 242). Because this revenue was not shared with the provinces, the

¹⁴ 95% of soybean products are exported in Argentina (Richardson, 2008).

share of the federal government revenue compared to the provinces increased significantly. Jumping up 5.4% from 2001 to 2006, the amount of government funds controlled by the central government increased to 57.8% of total national funds, and “export tax revenue accounted for most of this shift” (244). Unfortunately for the provinces, this marked a near 50% decrease in the amount of revenue they had enjoyed ten years earlier (Levitsky and Murillo, 2008, 19). As noted in chapter 3, from 2003 to 2009 alone, revenue from export taxes brought in an additional \$29 billion to the government’s fiscal budget (Fracchia, 2008; “La tendencia bajista no detiene su marcha,” 2010).

Obviously, the export tax policy on soybean products has been a crucial tool since it was instated in 2002. While observers such as William Dowd and Neal Richardson note that such a policy is susceptible to populist exploitation, the only way to test whether or not this occurred in Argentina is to examine the manner in which funds have been allocated and to whom they have been allocated.

The emergence of a coalition

Taking into account the second point in the adopted definition of populism which calls for “a large, multi-class and uninstitutionalized *pueblo* or ‘the people,’” observation of *who* would eventually benefit from these funds sheds further light on the hypothesis of the tax policy’s populist nature. In order to understand the multi-dimensional group that would emerge at the peak of the financial crisis, starting with a brief review of historical Peronism and its effect on Argentine society is beneficial.

According to Grugel and Riggirozzi, “Peronism (1946-1955) changed the terms of citizenship in Argentina” (2007, 88). Combining welfare spending with government-led industrialization, Juan Péron applied populist techniques to reach a breadth of constituents including “unionized workers, the urban poor and the lower middle classes” (Ibid). What changed during this era was that citizens who had previously not been afforded such rights soon gained “economic and social inclusion” (Ibid). Grugel and Riggirozzi argue that this expectation of governance was long-lasting and would eventually play a significant role in the social mobilization that took place at the peak of the financial crisis (2007).

In this light, the effects of the neoliberal era on Argentine society at the turn of the millennium—over half of the population living below the poverty line, one of out of every five Argentines without a job, and skyrocketing inequality—must be kept in mind when examining the emergence of social actors who would eventually benefit from the soybean export tax revenue. According to Grugel and Riggirozzi, “the political impact of this rapid and abrupt pauperization is hard to exaggerate” (2007, 94).

While the *piqueteros* (unemployed working class), had been protesting against the Menem Administration’s application of neoliberal policies since the mid-1990s, another few years would pass before a unified, multi-class and uninstitutionalized *pueblo* would arrive on the scene in Argentina (Munck, 2004). As the economic crisis intensified through 2001, much of the lower class continued to move below the poverty line (with 13.6% falling into extreme poverty) while the middle class lost jobs and saw their savings rapidly dwindle. Grugel and Riggirozzi argue that this environment “created a new phenomenon in Argentine politics: the emergence of a politicized, vocal and numerically

significant social stratum” consisting of the newly impoverished lower-middle class and upper-working class (2007, 94). According to Ronaldo Munck, “as the crisis came to a head, the struggles of the workers and the middle sectors came together under the slogan ‘piquete y cacerola: la lucha es una sola’ (picket and saucepans, the struggle as one)” (2004, 83). Reinventing the ‘popular,’ “in a way not seen since the heyday of Peronism,” this group of the ‘new poor’ would soon serve as the *pueblo* susceptible to political clientelism funded in part by the soybean tax policy (Munck, 2004, 83)

Prioritizing “the people” through government spending

Within the newly united social groups that emerged in the midst of Argentina’s financial collapse, “a consensus building initiative” known as the *Mesa de Diálogo* served as a forum in which various groups, “including labour, business, NGOs, *piqueteros*, social movements, political parties, and religious groups” met to discuss the myriad problems caused by the crisis (Grugel and Riggirozzi, 2007, 96). While seemingly simple tasks such as food distribution were often discussed, one program that emerged from this dialogue was the *Jefas y Jefes de Hogares Desempleados* described in Chapter 3. This employment-enhancing, public works initiative was soon followed by similar programs such as *Familias* and *Manos a la Obra* (Ibid). Not only were these organizations important for providing quick relief to constituents in terms of education, unemployment and the lack of basic needs caused by the crisis, but they were also important because they provided an organized venue in which Argentine leaders could target funds. The beneficiaries of such programs, funded in large part by export tax

revenue, made up a significant portion of the multi-class coalition necessary for populism—with *Jefes y Jefas de Hogares Desempleados* alone reaching as many as 2 million Argentines. (96-97).

Although some of these programs were initially established during the interim presidency of Duhalde, Néstor Kirchner continued to fund such programs from the moment he stepped into office. While Kirchner originally claimed only 23% of the popular vote in the 2003 preliminary elections, these programs undoubtedly played a role in the transformation of this “little-known” governor from the province of Santa Cruz into the Argentine president receiving approval ratings as high as 80% within three months for his “image as a socially conscious, socially responsible politician and his forthright commitment to job creation and domestic industry” (Levitsky and Murillo, 2008; Grugel and Riggirozzi, 2007, 97). Such an image, along with an expanded group of followers in large part made up of the ‘new poor’ continued to politically benefit Kirchner throughout his presidency.

As late as 2007, “welfare spending [remained], emphatically, targeted at specific social groups” (98). Public works projects along with this system of clientelism which the government used “to reward key supporters with targeted benefits—and to maintain their loyalty with the threats of withholding funds,” were not the only ways in which soybean export tax revenue was used in a populist manner (Richardson, 2008, 244). Loyal governors and leaders of trade unions often received funds as well (Ibid). According to Levitsky and Murillo, “discipline with the PJ’s legislative bloc hinges to a considerable degree on the president’s ability to maintain the support of the governors” (2008). They argue that revenue funds, “through a mix of clientelism and other appeals,” were an

essential part of maintaining the traditional Peronist party machine, which would play an integral part in Cristina Kirchner's victory in the 2007 elections (Ibid).

Throughout its rule, the Kirchner Coalition has continued to strategically allocate funds of the soybean export tax. As explored in Chapter 3, much of the funds generated by the policy were used to subsidize wage goods and domestic industry. Considering *who* such decisions benefited suggests populist use of the soybean export tax policy, especially when compared with the way in which funds could have been distributed to address more critical issues such as poverty alleviation. Revisiting Bueno de Mesquita et al., observation of the following facts suggests that the Kirchners used the export tax policy in a way that may have favored their political strategy over the public welfare of Argentina (2003).

Although poverty rates remained at around 50% for people aged 14-24 as late as 2005, the government, despite "*inclusionary* language," focused a "strikingly" small amount of funds on "the question of embedded poverty" (Grugel and Riggirozzi, 2007, 105). The advantage, in terms of political strategy, of this sort of allocation of funding was that the benefits reached all parts of the multi-class coalition. While extensive poverty alleviation programs would have only reached one sector of the multi-class coalition (the lower class), the way in which revenue from the soybean export tax was allocated allowed multiple social groups to benefit from the policy. As discussed in more detail in Chapter 3, funds subsidized energy consumption, food prices and domestic industries because these were avenues by which all members of the Kirchner's *pueblo* could benefit.

Politically strategic timing: election year increases and sharing with the provinces

A look at the timing element of the “political strategy” necessary to fulfill the third point in the definition of populism contributes to evidence for the populist use of the soybean export tax policy. In order to maintain and strengthen the support of ‘the people,’ Néstor Kirchner, “true to traditional populism” increased the export tax rate and subsequently the allocation of funding in and around the election year of 2007 (Dowd, 2009, 12). Increasing export taxes on soybeans to 35%, the government was able to multiply expenditures in preparation for the upcoming election (Richardson, 2008). According to *La Nación*, government spending in 2007 was 54.3% higher than the previous year (as cited in Dowd, 2009). Further contributing to this “massive election-year increase,” expenditures in the public and private sectors increased by almost 70% and public works investment increased 64.4%” (Levitsky and Murillo, 2008, 17; Dowd, 2009, 12). While the Kirchner Coalition increased government spending to “enhance [their] party’s chance of victory,” following the election year, a much more modest increase occurred. Suggesting that “the fiscal policy of 2007 was politically motivated,” Newman and Volberg note that after Cristina Kirchner had been elected, 2008 saw only a 34% increase in government spending (as cited in Dowd, 2009).

Although by law the government is not required to share revenue from soy export taxes with the provinces, in the spring of 2008, Cristina Kirchner began to share funds. While this may be interpreted as an act of benevolent decentralization, a look at what was going on in Argentina at the time suggests that the timing of this maneuver was a strategic act to maintain political support. In late March of 2008, the conflict in the

countryside escalated due to the hike in soy export taxes to 44.1%. While farmers halted exports and disrupted public transit in protest of the increase, the whole country watched, and the approval of the Kirchner Coalition subsequently suffered.

According to Charles Newbery, the government's handling of this four-month conflict played a large role in the Kirchner's party losing its majority in the 2008 congressional elections (as cited in Dowd, 2009). Moreover, polls at the time showed approval ratings dip to 30% and lower, suggesting that many Argentines sided with the farmers (Ibid). Rather than significantly reducing the export tax, the government used other means of maintaining support.

In "an attempt to gain political goodwill" just before the policy change was brought to congress for legislative approval, the government proposed to share 30% of the profits with the provinces (Dowd, 2009, 38). According to Eduardo Buzzi, leader of Federación Agraria de Argentina, this maneuver was an "electoral ploy" to give governors, mayors and legislators "a stake in this revenue" (17). The decision to share export tax funds with the provinces was undoubtedly a stretch to maintain political support in the face of growing opposition to the policy.

A charismatic challenge to 'the elites'

This section of Chapter 4 will reveal evidence revolving around the soybean export tax policy for the first, third and fourth points in the adapted definition of populism. Readers will note "the existence of a charismatic, personalist leader" as well as "a political strategy which may challenge 'elites' or opposition groups." A look at the rhetoric involved of President Cristina Kirchner as well as the urban-rural cleavage facilitated by the soybean export tax policy at this time leads to further evidence of the

populist exploitation of the policy. In this section, readers will learn why the urban sector is favored by the Kirchners over the rural sector and why Cristina Kirchner found it necessary to pit ‘the people’ against the “opposition group” of rural producers as the conflict between the government and the *campo* continued to grow.

Scholars such as Rogowski argue that the urban-rural cleavage that has swelled in Argentina since March of 2008 could have been predicted (1987). While his study is somewhat dated, the suggestions he made in 1987 regarding urban-rural cleavage apply to Argentina and the current conflict. He argues that when trade is constrained in “backward, land-rich countries,” urban-rural conflict ensues as labor and capital benefit and “agriculture is on the defensive” (1987, 1126). While Argentina may not historically be considered a “backward” country, having experienced one of the most intense economic crises in history less than a decade ago suggests that Rogowski’s argument is applicable.

In fact, he argues that following the Great Depression, economic decline in Argentina “strengthened ‘populist’ coalitions that united labor and the urban-middle class in opposition to traditional landowning elites” (1127). In many ways, this is being seen again today. While in the past this urban-rural cleavage in Argentina had more to do with an urban preference for trade barriers which protected domestic industries, today this conflict has more to do with crisis-response to the social needs of the urban sector in post-neoliberal Argentina. Having experienced especially high inequality, poverty, and unemployment rates on the heels of the neoliberal era, urban-dwellers were in need of financial support to rebuild Argentine society. Thus, in a similar manner as to that which took place in the 1930s, urban classes once again united at the turn of the millennium

opening the door to populist methods of political strategy, and the rural sector has had to protest in defense.

An important note for observers to make is that the negative effects of neoliberalism in Argentina reached the countryside as well. As discussed in Chapter 3, hundreds of thousand of farmers lost their jobs due to their inability to compete on the international market. Throughout the episode of changes in the economic model of production under Carlos Menem in the 1990s, public institutions related to agriculture underwent significant changes. Important programs that had once regulated agricultural markets and protected the rights of small producers began to vanish. Boards such as the Junta Nacional de Granos (JNG), Junta Nacional de Carnes (JNC), Corporación Reguladora de la Yerba Mate (CRYM), Dirección Nacional del Azúcar (DNA), Fondo Promotor Actividad Lechera (FOPAL) e Instituto Forestal Nacional (IFONA) all dissolved often times with a major consequence to producers (Obschatko et al., 2007).

Regardless of these facts, the Kirchner Coalition has refused to offer assistance to the countryside and has instead fueled urban-rural cleavage through the rhetoric surrounding the soybean export tax policy. Because the Kirchners have ignored the needs of the rural sector in post-neoliberal Argentina this suggests that the Kirchners have favored their own political strategy over the “public welfare” of Argentina (Bueno de Mesquita et al., 2003). While the rural sector has also been in need in over the past decade, the government has chosen to favor the urban, multi-class coalition.

Understanding exactly why this has been done is key to interpreting why the Kirchner Coalition has been categorized by some scholars as populist. The fact of the matter was that the Kirchners did not need the political support of producers and could

therefore exploit the rural sector by means of the soybean export tax policy. According to Álvarez-Rivera, the 2007 victory for Cristina Kirchner indicated that the government did not need the support of the countryside to maintain power (as cited in Dowd, 2009). In one of the most important agricultural provinces, Santa Fe—making up 33% of soy production alone, Cristina Kirchner garnered only 35.5% of the vote, “ten percent less than her national average” (Ibid). Regardless of the fact that producers did not support the Kirchner Coalition, an overwhelming victory of more 45% of the national vote compared to 23% for the nearest candidate ensued (Levitsky and Murillo, 2008). Without the need of political support in the countryside and the recognition that they could stay in power “as long as they are supported by both labor and industrial leaders,” the Kirchner Coalition nearly doubled export tax rates within four months of Cristina Kirchner’s presidency from 27% in November of 2007 to 44.1% in March of 2008 (Dowd, 2009, 39-40).

Shortly following these increases, the world price of soy plummeted and Argentina faced one of the most severe droughts in recent history. Regardless of the difficult situation in the *campo*, the government did not reduce the tax as “increasing revenue and distribution away from the farmers toward the working class is consistent with the Kirchners’ goals of remaining in power through populism” (40). Their “political strategy” has been dependent upon urban-rural cleavage and the ability to continue to financially back the multi-class coalition in urban centers. Just as Richardson notes, if the Kirchner Coalition had not had the luxury of export tax revenue, they would have “found it much more difficult to maintain the loyalty of organized labor” (2008, 232).

In the midst of the difficult circumstances of the rural sector, producers continued to protest as the international price of soy declined. As Bueno de Mesquita et al., notes, “political survival is put at risk whenever leaders lack the resources to maintain the support of essential backers” (2003, 26). As the international price of soy steadily declined, protests and support for the rural sector strengthened while the approval ratings for the Kirchner Administration continued to fall (Gillespie, 2010). Thus, the need to build a support base for the soybean export tax policy increased. As mentioned above, one of the ways the government addressed this situation was to increase soybean taxes in March of 2008. By increasing the rate, the government was able to secure the financial sources necessary to maintain the support of the multi-class coalition who benefited from these funds. Another way the government was able to maintain support for both the policy and opposition to protests in the countryside was through Christina Kirchner’s use of two of the four elements defining populism: “charismatic” rhetoric pitting ‘the people’ against ‘the elites,’ or opposing rural sector.

In defending the policy, Cristina expressed that “It is impossible to redistribute wealth without touching *extraordinary* profits” (BBC, 2008 as cited in Dowd, 2009, 15-16). When talking about the effect this policy would have, she said “We are changing Argentina as it has never been done before... The streets and the sewers will not flow with speeches, but with money” (“Cristina dijo que las ‘elites’ deben ser ‘solidarias,’” 2008). In a charismatic manner, she also noted what would happen if the policy was removed: “If they take away these export taxes, everything that you have gotten in these past six years will be lost... unemployment will return, prices will rise” (Neumann 2008 as cited in Dowd, 2009, 14).

As mentioned, the Kirchners desired more than to find a support base for the policy; they also needed to quell opposition. One way to do so was to pit the ‘people’ against the ‘elites’. According to Cristina Kirchner, “The grandeur of a nation is also that of the people; wealth has to reach all corners of the nation” (“Cristina dijo que las ‘elites’ deben ser ‘solidarias,’” 2008).¹⁵ She asked that “everyone” would help convince those who “doubt and those who do not believe this is the way” that it is necessary for the “elites” to “offer a supportive hand to the people” (“La Presidenta destacó el modelo económico,” 2008¹⁶; “Cristina dijo que las ‘elites’ deben ser ‘solidarias,’” 2008¹⁷). She explained to her country that “in developed societies, there is a social understanding among elites” in which the wealthiest sectors of the economy are supportive of those who have less (“Cristina dijo que las ‘elites’ deben ser ‘solidarias,’” 2008).¹⁸

While such explanations reprimand farmers for their unwillingness to ‘share the wealth’ with subtlety, her calling for Argentines who will help “soften the hearts of those who have everything” and make them understand that it is “necessary to improve income distribution” is perhaps a bit more convincing of her charismatic use of rhetoric (“La Presidenta destacó el modelo económico,” 2008).¹⁹ “Publically referring to the farmers as ‘greedy’ and ‘coup-plotters’” for opposing the soy tax policy, the government sought, in an unarguably populist manner, to create an antagonistic image of the protesting rural

¹⁵ Original quote: “La grandeza de una nación es también la del pueblo; la riqueza tiene que llegar a todos los rincones” (“Cristina dijo que las ‘elites’ deben ser ‘solidarias,’” 2008).

¹⁶ Original quote: “ayuden a convencer a ‘los que todavía dudan, a los que creen que este no es el camino” (“La Presidenta destacó el modelo económico,” 2008).

¹⁷ Original quote: “La distribución del ingreso es la lucha para que los que más tienen entiendan que es necesario que quienes más ganan tiendan la mano solidaria hacia el pueblo” (“Cristina dijo que las ‘elites’ deben ser ‘solidarias,’” 2008).

¹⁸ Original quote: “En las sociedades desarrolladas, hay comprensión social por parte de las elites” (“Cristina dijo que las ‘elites’ deben ser ‘solidarias,’” 2008).

¹⁹ Original quote: “Les pido que me ayuden a ablandar el corazón de los que tienen todo y no entienden que es necesario mejorar la distribución del ingreso” (“La Presidenta destacó el modelo económico,” 2008).

sector to Argentina as a whole (Barrionuevo, 2008 as cited in Dowd, 2009, 13).

Chapter 4 conclusion: soybean export tax is a populist policy

Following the examination of how the soybean export tax has been applied in Argentina, observers note the various populist characteristics of the policy. In terms of *who* has received funds, *how* and *when* they have been distributed, and the rhetoric involved surrounding the policy, all share populist attributes. While some observers may try to classify the soybean export tax system as egalitarian or democratic rather than populist, taking into account the definition of populism reveals its populist distinction. Revisiting the adopted definition of populism, readers note that four elements are necessary: (1) the existence of a charismatic, personalist leader who prioritizes a (2) large, multi-class and uninstitutionalized *pueblo* or ‘the people,’ through (3) a political strategy which may (4) challenge ‘elites’ or opposition groups. Each of these requirements has been explored in regards to the soybean export tax policy in Argentina. Readers note the charismatic rhetoric used by Cristina Kirchner throughout the urban-rural conflict. Moreover, strong evidence is available for the existence of a “large, multi-class” coalition who benefits from the funds of the export tax policy. Finally, readers note an extensive “political strategy” which favors the urban lower and middle classes over the opposing rural sector producers.

Chapter 5: Conclusions and Implications

Although the application of neoliberal policies beginning in the mid-1980s including fiscal austerity measures, large-scale privatization, and market liberalization initially led to higher growth rates and more stable economies, within a matter of years the negative effects that came with such policies were soon noticed in developing countries throughout the world. Latin America was one of the regions most affected by this era as the turn of the millennium witnessed greater inequality and higher poverty and unemployment rates than in previous decades. As the negative social effects of neoliberalism opened the door to popular mobilization in many countries throughout the region, scholars began to question what the political responses in Latin America would be.

Since Venezuela's election of Hugo Chávez in 1998, scholars have argued that one of the responses to neoliberalism in the region has been a leftward shift in politics and another has been a resurgence of populism. However, in more recent years scholars such as James Petras have argued that the shift throughout Latin America cannot be considered a truly leftist shift, as each leader has violated key leftist attributes in one manner or another. Equally, scholars such as Héctor Schamis have noted that many of the claims for populism among leaders in the region are false in that populism in its classic form no longer exists in Latin America.

A closer look at the debate over leftism in Chapter 2 demonstrates that one way scholars have attempted to solve disagreement is to subdivide the left into several

categories. Still disagreement exists over the classification of leaders into sub-categories and even over the characteristics of categories themselves. Scholarship regarding populism in Latin America does not differ. While scholars such as Héctor Schamis argue that populism no longer exists in its classic form, others such as Jorge Castañeda argue that characteristics of populism are evident in the politics of most countries in the region.

As discussed in Chapters 3 and 4, simplifying the classification process by providing in-depth analysis of individual policies may lead to more accurate claims of political shifts in Latin America since the neoliberal era. Understanding the importance of this, Chapters 3 and 4 thus focused on one policy in Argentina to contribute to a better understanding of what shifts have taken place in the country since the neoliberal era.

As was demonstrated in Chapter 3's comparison of the soybean export tax policy to the 14 points historically defining the left found in Petras's 2006 study, examining individual policies does not always offer concrete answers to the debate regarding political shifts in Latin America. While seeming leftist because of its focus on increasing living standards, favoring domestic industry over export production, and increasing wages, a closer look reveals non-left qualities of the policy as well. Because of the policy's failure to share popular participation in decision making, evading a chance to decrease social inequalities through progressive taxes, and only sometimes budgeting in a manner that favors greater social expenditures, the soybean export tax policy cannot be considered purely leftist.

Discovering in Chapter 3 that the soybean export tax shares many left and non-left qualities brings forth two important implications: (1) leaders and policies can share

both left and non-left characteristics in post-neoliberal Latin America and (2) the political strategy of leaders to stay in power sometimes drives policy decisions.

(1) Leaders and policies can share both left and non-left characteristics

In explaining this implication, I will first address the possibility of a new era of politics: the alternative development era. While some observers think that categorizing the left into a multitude of subdivisions offers an explanation for the new left in Latin America and others such as Petras believe that certain leaders' failures to endorse *all* leftist policies is evidence of the *absence* of a shift left, scholars such as Cameron, and Grugel and Riggiozzi offer a third interpretation of the governance of this era in what I like to call "a new form of alternative development." This era of alternative development has leftist roots yet can neither be considered socialist nor neoliberal. In pinpointing a name for this occurrence, some scholars have called this era "twenty-first century socialism" while others such as Grugel and Riggiozzi have named it "neo-*desarrollismo*" (Petras, 2009; Grugel and Riggiozzi, 2007). Leading the charge for the idea that one of the responses to neoliberalism had been a form of alternative development, Cameron believes that what has emerged in Latin America is a series of leaders who have embraced lessons learned from failed policies over the past half century and have designed their governmental agenda accordingly.

The "alternative development" school of thought promotes the concept that what has emerged in Latin America is an experimental episode of development which seeks to ameliorate the pains caused by neoliberalism while at the same time welcoming the

various trends of economic globalization. Contrasting the views of scholars such as Jorge Castañeda who feels that post-neoliberalism has produced yet another pendulum swing episode in Latin American politics, scholars like Cameron believe that the “backlash against neoliberalism does not signal a rejection of markets, but a repudiation of the ideology that places markets at the centre of the development model to the detriment of public institutions and their social context” (Castañeda, 2006; Cameron, 2009, 337). Rather than allowing certain historical, political ideals dictate policy decisions, some leaders have pledged to continue the pursuit of economic growth, yet at the same time address the social needs of their countries.

Scholars from this school of thought explain why many leaders throughout Latin America have embraced both heterodox and orthodox policies since the end of the neoliberal era. This group of scholarship argues that leaders such as Vazquez in Uruguay, Lula in Brazil, Morales in Bolivia and the Kirchners in Argentina recognize the failures of both left-wing and right-wing eras of the past half century.

The alternative development theory assumes that leaders understand why Import Substitution Industrialization had its limitations. Often coinciding with left-leaning governments in the 1960s and early 1970s, many countries in Latin America during this episode pushed for nationalization of industries, a commitment to social justice and a denial of the *Latifundismo* system which had been supported by elites in previous years. At the same time however, such nations remained isolated and did not welcome the benefits of open markets. As noted around the globe, this system eventually deteriorated as the bourgeoisie and military regimes of the era began to regain power partly due to the popular recognition of the resulting stagnating economies.

Alternative development theorists also convey that leaders recognize the failures of the right-wing military regimes of the 1970s and early 1980s in countries such as Chile, Argentina, Paraguay and Brazil (Skidmore and Smith, 2005). As economic ideology shifted to the right, this era was marked by a preference for growth over the protection of domestic industries. As international debt climbed, so did social inequalities and the need for a protection of social services. With the existence of hyperinflation in many countries as democratic regimes were once again established in the mid-1980s, the need for financial austerity measures and economic stability also increased.

Choosing to more readily address the needs of unstable economies, leaders began to put social needs aside hoping that the “trickle effect” of stronger and more stable economies would eventually address the needs of society. However, as noted in Chapter 2, this effect never materialized substantially. Rather, many societies experienced a difficult social situation at the end of the millennium.

Promoters of the alternative development response to neoliberalism believe that many leaders have embraced the idea that an environment of readily changing pendulum swings since the 1950s consisting of in-and-out patterns of shifts to the political left followed by shifts to the right does not lead to sustainable societies or economies, and have therefore mapped out alternatives which envelop the strengths of each era when possible and leave behind the weaknesses.

Applying this idea to Petras’s 2006 study, observers may note that many of the instances in which Petras criticizes leaders for being non-leftist may alternatively be expressed as symbolism of an allegiance to a set of policies which recall past failures and successes and applies them accordingly. For example, in the case of Tabaré Vázquez in

Uruguay, Petras criticizes him for imposing wage controls on the working class. While Petras is right that this is a non-leftist attribute, in an alternative development light, Vázquez may have chosen to recognize the importance of austerity measures to keep inflation in check. Similarly, Petras critiques Evo Morales for favoring macroeconomic stability over tripling the minimum wage rate. In a country with a brutal history of hyperinflation, Morales' austerity measures are an example of lessons learned in the past (Sachs, 2005). Equally, Petras points out Lula's reduction of workers pensions and health/education spending in Brazil. While these policy changes are not leftist, they may have been employed to avoid the danger of an unbalanced budget, reminiscent of lessons learned from escalating debt problems in the 1980s and 1990s.

In terms of promoting growth, Petras criticizes Morales' willingness to meet with the Confederation of Private Businessmen of Bolivia. Although meeting with social groups such as FEJUVE may appear more leftist, critiquing Morales for meeting with the leaders of companies that provide thousands of jobs to discuss economic growth can be interpreted in a different manner as well, according to alternative development theorists. In the same light, Petras points out that Morales' decision to keep "productive" farms of over 25,000 acres, prioritize exports, and promote private and international investment are examples of embracing neoliberal policy (Petras, 2006, 287). While this may be true, alternative development theorists explain this behavior as adherence to policies that are "perfectly consistent with Bolivian natural interests," regardless of political affiliation (Cameron, 2009, 344). In the same light, such scholars justify Morales' seemingly leftist decision to nationalize the hydrocarbon sector—seen by many as "among the most radical moves by any recent government of the left in Latin America" (Cameron, 2009,

341).

Petras's evaluation of Brazil is no different. In his study, Petras criticizes Lula for insuring investors that petroleum would not be expropriated, and for repaying Brazil's debt. While it may be true that refusing to expropriate natural resources does not fall in line with leftist policies of the socialist era in Latin America, such a maneuver strives to prevent the mass capital flight that contributed the Brazilian financial crisis in the previous decade. Furthermore, Lula's willingness to repay external debt can be seen as non-leftist, or to alternative development theorists as a way of reassuring future loans and investor confidence. For Petras, on top of these facts, Lula's continuance to favor trade agreements with Asia, Europe and North America over regional integration suggest that he "fits closer the stereotypical profile of a right-wing neoliberal politician rather than a 'centre-left' President" (282).

Identifying with the viewpoint of scholars such as Cameron, I conclude that a new era of alternative development has emerged that does not simply constrain itself to left/right terminology. Recognizing the negative effects of the socialist era in which closed economies and a commitment to the development of domestic industry led to slow growth, leaders have begun to accept the importance of open markets. The social effects of the neoliberal era in which fragile economies were opened to international markets and social programs nearly disappeared is still fresh on the minds of leaders as well. A recognition of the necessity for both policies which address the social needs of society and others which facilitate a connection to global markets, international lending and privatization will remain to be a key feature in politics of the region. Keeping this in mind, scholars should drop the term "left" in its twentieth century form and instead focus

on new ways of defining the political era such as the “alternative development” school of thought discussed above.

(2) The political strategy of leaders to stay in power sometimes drives policy decisions

In the case of Argentina, readers recall both the non-leftist critiques pointed out by Petras in Chapter 3 yet also the leftist characteristics of the country as well. According to alternative development theorists, this diversity of policies can be expected in the twenty-first century. While this assessment may appear to be an easy way of solving the debate over why a mix of policies have been seen in Latin America, this clearly does not explain why all leaders make the decisions that they do.

The above analysis of alternative development does not offer explanation for all reasons why the soybean export tax policy is not purely leftist. As readers note from the soybean export tax, variables relating to this policy are not always necessarily *best* for Argentina or representative of lessons learned in the past. Incorporating Bueno de Mesquita et al.’s assumption that leaders sometimes choose policies which are best for their political strategy rather than best for countries as a whole sheds light on this conundrum (2003).

Explored in Chapter 4, one reason that the Kirchners have not used the policy in a *purely* leftist manner is that the soybean export tax has proven to be an essential factor in their populist political strategy to stay in power. While a claim for alternative development would embrace both the positives of leftism (including an adherence to

social programs) and neoliberalism (including monitored open markets and international finance), the soybean export tax policy does not fulfill these requirements.

As demonstrated in Chapters 3 and 4, revenue from the soybean export tax is not always directed to the most dire societal needs. Whereas social programs that would target long-term, anti-poverty measures were in need at the end of the neoliberal era and still remain today, funding has instead focused on large groups that prove to be politically beneficial yet offer only short-term alleviation to larger problems. Moreover, the notion of the soy export tax as a form of alternative development does not contribute to the understanding of why it has been implemented in such an autocratic manner nor why the rhetoric around the policy has served as a tool for the government in Argentina to maintain political support.

In the case of the left/non-left debate of shifts since neoliberalism, an analysis which revealed that the soybean export tax contains both left and non-left attributes yet is not a form of alternative development suggests that scholarship should perhaps take a new turn. The classic “left,” “right” qualifiers in their twentieth century form may be outdated as leaders will continue to maintain necessary attributes of both sides of the political spectrum. For this reason, scholars such as Moreno-Brid and Paunovic argue that many of the traditional categories of politics such as “neoliberalism, social democracy, populism, and socialism” have lost analytical value in modern Latin America (83). With this in mind, observing the soybean export tax policy in light of its leftist nature suggests that even when individual policies are examined, a need for innovative terms has emerged as the plethora of current categories of leftist leaders in Latin America fails to

envelop both the dynamics of the soybean export tax policy and leaders such as the Kirchners in Argentina.

Examining one policy contributed to evidence of populism in the region

While comparing the soybean export tax to leftist characteristics contributed to the notion that new terms for qualifying leaders and eras may be in need, this process did not provide concrete evidence for or against leftism in post-neoliberal Latin America. On the other hand, however, taking the soybean export tax policy and comparing it to characteristics of populism demonstrated that focusing on individual policies can offer concrete evidence for broader claims of shifts in Latin America. While the soybean export tax cannot be considered purely leftist, non-leftist, nor a form of alternative development, Chapter 4 points out that the soybean export tax shares many populist attributes.

Unlike the notion of the soybean tax as left, little evidence exists to counter the claim of the soybean export tax as a populist tool for the government. The significance of this is that it suggests that further studies which examine individual policies may yield concrete results in determining political shifts in Latin America. By classifying one of the most defining policies of the Kirchner Administration as a populist policy, this offers evidence to the argument among scholars that the Kirchners can be considered populist leaders. By offering evidence of individual leaders, this study has also contributed to the scholarship that argues for a resurgence of populism in the region since the neoliberal era.

As was demonstrated in this study, carefully analyzing individual policies of leaders is the next step in properly classifying shifts in Latin America. By comparing the soybean export tax policy in Argentina with traditionally agreed upon characteristics of the left, this study showed that the current categories of political affiliation of policies and leaders fail to encapsulate policies such as the soybean export tax and leaders such as the Kirchners in Argentina.

By revealing the complications involved in classifying a single policy as leftist, this study showed that making broad generalizations of leaders as a whole is a poor way of classifying leaders in Latin America. At the same time, comparing the policy to characteristics of populism proved that concentrating studies on individual policies can yield concrete results as the export tax policy is clearly used in a populist manner. Thus, this study encourages scholars to both continue searching for new political terminology that better relates to the current environment in Latin America as well as continue to provide in-depth analysis of individual policies in order to make more accurate judgments of shifts in the region.

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