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Business Power and Protest:

Argentina's Agricultural Producers Protest in Comparative Context

Tasha Fairfield

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Abstract: The rare but important phenomenon of business protest has not been adequately addressed in either literature on contentious politics or literature on business politics. Using Argentina's 2008 agricultural producers' protests as an illustration, this paper develops the concept of business protest and situates it within the classic framework of business' instrumental power, exercised through political actions, and structural power, arising from individual profit-maximizing behavior. Business protest entails public and/or disruptive collective action in either the economic arena or the societal arena. Business actors are most likely to consider protest in order to defend their core interests when their structural power is weak and when they lack sources of instrumental power that enhance the effectiveness of ordinary political actions like lobbying. I apply the business power and protest framework to explain the Argentine producers' failure to influence export tax policy from 2002 through early 2008 and the emergence of protest against a 2008 tax increase. I then examine how the producers' protests contributed to the reform's repeal. The producers' protests are an exceptional example of business protest in which the participants lacked key organizational resources that facilitate collective action.

Key words: business, protest, taxation, Argentina, agriculture

Introduction

From March to July of 2008, an unprecedented and unanticipated series of agricultural producers' protests paralyzed Argentina. The protests challenged a key element of the economic model advanced by President Néstor Kirchner (2003-2007) and his successor Cristina Fernández de Kirchner (2008-present): raising revenue for the central government from taxes on agricultural exports. The government was ultimately forced to repeal the 2008 export tax increase that had precipitated the protests, which demonstrated for the first time that there were limits to the use of this otherwise highly effective and politically attractive tax instrument. This turn of events constituted a stunning political defeat for the government and signaled the producers' reemergence as political actors in Argentina.

Beyond their importance in Argentine politics, the producers' protests illustrate the broader phenomenon of business protest, which I define as public and/or disruptive collective action undertaken or instigated by business actors outside of formal policymaking arenas. Business actors rarely undertake protest, yet episodes of business protest have had a significant impact on politics, policy decisions, and even political regimes in Latin America. For example, business protests contributed to the 1973 coup in Chile, played an important role in the anti-Chavez movement in Venezuela in the early 2000s, and restricted Bolivian President Morales' redistributive agenda in the mid-2000s. Instances can be found beyond Latin America as well. For example, business' efforts to coordinate economic disruption helped dissuade the Indian government from regulating investment under Nehru in the 1940s (Chibber 2003).

Business protest has received little theoretical attention in political science. Literature on business politics focuses on lobbying, campaign finance, and numerous other ways in which business actors strive to achieve influence, but does not systematically examine business protest.

For example, protest is absent from Schneider's (2009) business "portfolio of options for investing in politics." Meanwhile, literature on contentious politics and social movements focuses on "ordinary citizens" and for the most part ignores participation by business and economic elites (Tarrow 1994, Tilly 2004).¹ Scholars interested in institutions and policymaking have begun to theorize conditions under which societal actors employ "alternative political technologies" like violence or disruption of economic activity, but they do not examine business actors as distinct from other interest groups (Scartascini and Tommasi 2010). Yet business actors differ critically from labor unions and popular sectors in the means through which they can exert influence and the resources they possess. Comparative research on business protests, the conditions under which they arise, and the broader political phenomena in which they are embedded is therefore in order.

This paper's theoretical goals are to situate protest among the other means through which business actors seek to exert influence, to specify the conditions under which business protest is likely to emerge, to conceptualize different forms of business protest, and to identify mechanisms through which protest may help business actors secure their goals. To these ends, I develop a framework based on the classic concepts of business's structural power and instrumental power. Structural power arises from the anticipated aggregate effects of individual profit-maximizing decisions. Instrumental power is exerted through political activities. Business protests, particularly those with big business participation, are rare in capitalist democracies, because business actors usually possess enough structural power and/or instrumental power in formal policymaking venues to prevent policies from being enacted that

¹Eaton (2011) is a recent, important exception.

jeopardize their core interests.² However, if business lacks both structural power and sources of instrumental power that make political action in formal policymaking arenas effective, business may turn to economic and/or social protest.

The body of the paper applies the business power and protest framework to the case of export tax policy in Argentina. These taxes, which had been essentially eliminated during the 1990s, were reintroduced after the collapse of the Convertibility currency regime and devaluation of the peso in 2002. President Duhalde initially imposed taxes of 10% on the sales value of major agro-export crops. The taxes were collected from export companies, which passed the burden to producers through depressed purchasing prices. Rates on most agro-exports were soon increased to 20%. President Kirchner maintained the export taxes throughout his term and increased rates several times. The tax on soy, the most profitable agro-export, reached 27.5% in January 2007 and 35% in November 2007. President Fernández de Kircher increased the tax on soy to 44% shortly after taking office in 2008, triggering the producer protests.

Export taxes served multiple purposes. First, they extracted substantial revenue from the highly profitable agricultural sector. Export taxes were particularly attractive for the executive, since they could be legislated by decree. Moreover, unlike most other taxes in Argentina, export taxes were not subject to revenue-sharing with provincial governments. Export tax revenue, much of which derived from soy (Richardson 2009), helped the central government reestablish fiscal solvency after the 2001 crisis and subsequently sustained the fiscal surplus, which was regarded as critical for preserving stability. Second, export taxes were a key component of industrial policy. The taxes equalized the profitability of primary and processed products, thereby stimulating agro-industry, which generated substantial employment (Rodriguez and

²Protest by *petit bourgeoisie* sectors is more common; see for example Berger (1981: 92-94).

Arceo 2006: 6; Di Gresia 2006, author's interview). Third, export taxes suppressed prices for basic consumer goods. Argentina is a major exporter of wheat and meat, which are also key wage goods, so when exports become more profitable, domestic prices also rise.³

The producers resented the fundamentally redistributive nature of the export taxes, which harnessed resources from agricultural to benefit the government's urban constituencies, and they opposed the periodic rate increases, even though they benefited from an under-valued currency and high international commodity prices. The context of economic crisis mitigated the producers' opposition in 2002, but they strongly rejected the continued application and increased burden of export taxes after the economy recovered.

The business power and protest framework helps explain three key questions that arise in this case. First, why were the producers unable to deter periodic export tax increases from 2002-07? The producers' failure to wield any influence is noteworthy given the importance of agro-exports for the Kirchners' economic model. One might expect governments to court the favor of critical sectors rather than consistently ignore their policy demands. The Argentine producers' failure to exert any influence is also remarkable in a region where business actors have long placed strong constraints on governments' ability to raise tax revenue. Second, why did the producers launch massive and sustained protest against the 2008 export tax increase? The emergence of these protests poses a major conundrum given that the producers had consistently failed to stage large-scale collective action in previous years. Third, how did the protests contribute to the reversal of the 2008 reform?

I will argue that the producers were unable to influence export tax policy before 2008 because both their structural power and their instrumental power were weak. Governments were

³This logic did not apply to soy, which is mostly exported (Richardson 2009).

therefore free to legislate periodic export tax increases with few economic or political constraints. The producers' weakness also facilitated imposition of many other policies contrary to their interests. However, in a context of accumulated frustrations, the novel design of the 2008 export tax reform resolved the producers' collective action problems by intensifying their shared grievances and convincing all sub-sectors that massive protest was the only way to achieve influence. The 2008 reform was perceived as extraordinarily objectionable and provoked widespread outrage and enthusiasm for protest throughout the countryside. Meanwhile, prior attempts at collective action, though largely unsuccessful, helped provide a basis for coordination among the otherwise fragmented producer associations. The sustained protests in turn contributed to the reversal of the 2008 reform by imposing heavy political costs on the government. Public opinion and urban middle-class sectors turned against the government, and divisions emerged within the governing coalition that provided new political opportunities for the producers.

My analysis is based on process-tracing, which entails careful use of evidence about context and causal mechanisms (Bennett 2010). I draw on interviews conducted in 2006 and 2008 with staff members from Argentina's producer associations, Economy Ministry officials, and other actors, as well as primary documents and news coverage.

I. Structural Power, Instrumental Power, and Protest

To understand business protest, we must examine more generally how business actors influence policy in market democracies. Structural power and instrumental power correspond to two distinct modes of business influence. Structural power can be thought of as "investment power," while instrumental power can be thought of as "political power." When either type of power is strong, business can exert significant influence on policy outcomes.

Business's structural power, first conceptualized by Block (1977) and Lindblom (1977, 1982),⁴ arises from concerns that a reform will provoke reduced investment, capital flight, or declining production in important economic sectors, because of the market incentives the reform creates for profit-maximizing firms, capital owners, or producers. Reduced investment or production may in turn lead to slow growth, unemployment, or other macroeconomic problems. If policymakers anticipate such outcomes, they may refrain from initiating the policy in question for the sake of attaining developmental goals or to avoid punishment at the polls for declining growth and prosperity. Structural power may also act after a policy has been implemented; if policymakers perceive that a reform has actually provoked reduced investment or production, they may repeal the offending reform. The defining feature of structural power is that it requires no organization or political action; instead, market signals coordinate business actors' reactions to the policy. As Hacker and Pierson (2002: 281) observe: "the pressure to protect business interests is generated automatically and apolitically. It results from private, individual investment decisions taken in thousands of enterprises, rather than from any organized effort to influence policymakers." Structural power varies across different contexts and policy areas; many reforms do not create market-based incentives for business actors to significantly reduce investment or production. Structural power ultimately depends on policymakers' perceptions about the market incentives a reform creates, as well as their assessments of the broader economic impact of disinvestment or reduced production.

Business's instrumental power, originally theorized by authors such as Mills (1956) and Miliband (1969), involves deliberate political actions. These actions may include lobbying, participating in policymaking, financing electoral campaigns, or engaging in various forms of

⁴See also Przeworski and Wallerstein (1988), Winters (1996), Hacker and Pierson (2002).

collective action either within or outside of formal policymaking arenas.

I identify observable sources of instrumental power that make business's political actions more likely to succeed. These sources of power can be classified as relationships with policymakers, and resources. Relationships include: recruitment into government, whereby business representatives are appointed to high-level executive branch positions; informal ties to policymakers; institutionalized government-business consultation; and partisan linkages, whereby business is a party's core constituency: the sector most important to the party's political agenda and resources.⁵ These relationships afford business instrumental power in formal decision-making arenas, namely the executive or the legislature, by enhancing access to policymakers, facilitating participation in policymaking, and/or creating bias in favor of business interests. Turning to resources, I focus on encompassing organization, which enhances business' ability to forge common positions and coordinate political actions. Unity and coordination in turn legitimate business demands and improve business's bargaining position. Not only can organization facilitate coordinated lobbying within formal policymaking arenas, it can also facilitate business protest.

Business protest entails collective action outside of formal policymaking arenas. Business actors are most likely to consider this tactic when they cannot protect their core interests through other channels. Employing the framework introduced above, protest may become attractive to business when two conditions prevail: 1) structural power is weak, such that policymakers do not

⁵A group can be identified as a party's core constituency when the group holds strong preferences for, openly endorses, or financially supports the party, and when the party has a history of actions and goals favoring the group's interests (Gibson 1996: 12-14).

anticipate that the reform at hand will provoke reduced investment,⁶ and 2) relationship-based sources of instrumental power are also weak. Under these circumstances, business concerns may be excluded from policymaking, and achieving influence may require actions outside of business actors' normal repertoire.

Protest will be easier for business to orchestrate where there is a strong encompassing association with the capacity to reconcile and aggregate interests (Schneider 2004: 7). This observation parallels the emphasis on organization in resource mobilization theory (Zald and McCarthy 1987, McAdam et al 2001: 41). In exceptional cases, however, a reform or broader set of policies that poses a strong enough threat to common business interests may provoke protest even if encompassing organization, and other factors that facilitate collective action such as homogeneity, concentration, and shared identity or ideology,⁷ were previously absent. In these cases, the policy itself may solve the collective action problem by intensifying common grievances that overshadow differences of interest in other areas. In fact, as noted in literature on business politics, sustained threats to common interests may motivate business to form encompassing organizations in order to facilitate collective action (Silva 1996, Schneider 2004: 11, 75).

Business protest may take place in either the societal arena (social protest) or the economic arena (economic protest). Social protest involves rallies, roadblocks, marches, or other actions that require mass participation. These protest actions are options when the sector(s) in question include large numbers of small or medium entrepreneurs or producers with shared interests. In

⁶Structural power may also be irrelevant, in that policymakers prioritize concerns other than investment, like fiscal solvency or redistribution.

⁷See for example Lieberman (2003: 16), Frieden (1991: 34, 40), Etchemendy (2004: 121-2), Olson (1964).

some cases, big business may also be able to form alliances with other societal actors that can mobilize mass participation, like labor unions or civic associations. Since actions like rallies, roadblocks, and marches are also central to repertoires of contention employed by social movements, this type of business protest may take on movement-like characteristics, in which participants strive to demonstrate worthiness, unity, numbers, and commitment (Tilly 2004: 4).

Economic protest takes the form of business strikes, which entail deliberate political decisions to withhold investment (investment strikes), halt production (lock-outs), or disrupt the sale or distribution of goods (commercialization strikes) in order to exert influence, when individual participants have market-based incentives to continue their normal economic activities. Business strikes fall within the realm of instrumental power, not structural power, because this form of protest is politically-coordinated rather than market-coordinated.⁸ In contrast to market-coordinated disinvestment or disruption of production, business strikes entail short-term costs for participants, and long-run gains depend on whether or not the strike influences policy choices and/or politics more broadly.⁹ Therefore, business strikes, like labor strikes, require collective action. Distinguishing between market coordination and political coordination is important because the logic of disinvestment may affect policymakers' subsequent reactions. For example, if a policy does not significantly alter market incentives but does provoke politically-coordinated disinvestment, policymakers may attempt to ride out the business strike and wait for the logic of individual short-term profitability to preempt the logic of collective action.

⁸In contrast to my usage, the term investment strike (or capital strike) is often applied to cases of market-coordinated disinvestment or disruption of production. Many authors do not explicitly consider the possibility that disinvestment can be politically coordinated (Winters 1996: 21-22, Hacker and Pierson 2002: 297, Campello 2009: 2).

⁹This treatment is consistent with Mahon (1996).

Fig. 1: Instrumental Power: Arenas and Actions

Arenas	Actions
Within Formal Policymaking Arenas: Executive and/or Legislature	Lobbying, Participating in policymaking, Financing campaigns, Running for office
Outside Formal Policymaking Arenas: 1. Societal 2. Economic	Protest: 1. Rallies, roadblocks, marches 2. Investment strikes, lock-outs, commercialization strikes

Protest can advance business interests through various mechanisms. Social protest can help business gain the upper-hand in “framing contests” (Tarrow 1998: 22, McAdam et al 2001: 44, Eaton 2011). Governments may seek to delegitimize business demands as narrow elite or sectoral interests that run counter to the national good. Demonstrations and rallies showcasing large numbers of small and medium business actors and/or aligned popular sectors undermine such accusations and may help build sympathy from society more broadly. Economic protest may compel governments to grant business demands by jeopardizing financial solvency or undermining developmental goals. Economic protest may also erode the government’s political support. If business strikes impose immediate economic costs on other societal actors and voters, they may in turn demand that the government address business interests in order to restore normality. Public reactions to economic protest may depend on the composition of business participants as well as the severity of the costs inflicted on society. If the sector(s) in question is highly concentrated, big business participation alone may wield significant economic damage; however, strikes waged exclusively by big business are more likely to incur public repudiation than those involving small and medium business. Likewise, strikes, and even social protest actions like roadblocks, may alienate the public if they are so disruptive that rejection of business tactics outweighs sympathy for business demands.

The outcomes of business protests will depend in part on the mix of actions employed as well as business actors' ability and resolve to sustain collective action. However, outcomes will depend on numerous other factors as well, including the government's economic and political vulnerability, its strategic calculations and perceptions of the stakes at hand, and how other actors respond to ensuing conflict and disruption. Comprehensive theorizing on the conditions under which business protests will succeed or fail lies beyond the scope of the present endeavor.

The business power and protest framework has several analytical advantages. The framework complements and advances theories of taxation that focus on societal actors' bargaining power (Levi 1988) by specifying observable sources of business power that can be assessed independently of policy outcomes. Systematically examining sources of instrumental power provides leverage for explaining when business's political actions are more or less likely to succeed. Focusing on sources of power also accommodates the possibility that business may not need to take overt action in order to exert influence; when business has strong sources of power, policymakers may take into account anticipated business reactions. In this regard, my framework follows the insights of power resources theory, developed to resolve conceptual difficulties inherent in approaches focusing on the visible exercise of power (Korpi 1985: 33).

In addition, the power and protest framework is better-suited for analyzing business influence than theories distinguishing between *de jure* power, conferred by institutions, versus *de facto* power, based on disruptive capacity (Acemoglu and Robinson 2006, Scartascini and Tomassi 2010).¹⁰ Instrumental power may arise from institutional sources, like political parties, but also from non-institutional sources like informal ties to policymakers or recruitment into government. Although institutional sources afford more consistent influence, examining non-

¹⁰Acemoglu and Robinson include lobbying and collective action along with violence under *de facto* power.

institutional sources may nonetheless be critical for understanding when business actors get what they want. Furthermore, economic disruption inflicted by business actors may fall within the realm of either instrumental power or structural power, depending on the mechanisms through which it occurs. Distinguishing between instrumental and structural power is critical for analyzing the means, mechanisms, and extent of business influence.

Regarding literature on contentious politics, the framework presented above clarifies that business protest is likely to emerge under different circumstances than protest by popular sectors or ordinary citizens. Whereas enhanced access to participation may encourage popular sectors to mount protest (Tarrow 1994: 86, McAdam et al. 2001: 41), business actors are more likely to protest when their access is poor or declining—namely, when relationship-based sources of instrumental power are weak, and when policymakers threaten their core interests. Eaton (2011) arrives at similar conclusions in his study of conservative social movements, in which business actors play prominent roles in defining goals and mobilizing participation; the business power framework generalizes those findings. The business power framework also adds the critical dimension of structural power: even business actors who are excluded from formal policy arenas have no need to protest if their structural power is strong with respect to policies affecting their core interests, such that fear of market-coordinated disinvestment deters policymakers from enacting deleterious reforms. Like Eaton (2011), I also find that changes in “political opportunity structures” identified in the contentious politics literature are less relevant than threats to core interests for explaining the emergence of business protest in contrast to popular protest. However, business protest itself may provoke divisions and realignments among political elites, which may in turn create new opportunities to pursue influence within formal policymaking arenas.

II. Weak Producers' Power, 2002-2008

I argue that the Argentine producers failed to influence export tax policy from 2002 through March 2008 because their structural power and their instrumental power were both weak. Structural power was weak given that policymakers were not concerned that tax increases would lead to reduced investment or production, because agricultural commodities remained extremely profitable despite the taxes. Instrumental power was weak given the producers' lack of favorable relationships with policymakers and organizational fragmentation. Accordingly, the producers' loosely-coordinated lobbying secured no concessions on export tax policy, and collective action problems precluded all but brief, small-scale, and hence ineffective protests.

Weak Structural Power

The producers' structural power was weak from 2002 through early 2008 because policymakers did not believe that export tax increases would create disincentives for investment or production in the agricultural sector. Despite high export taxes, which depressed producers' prices, production remained very profitable due to the devalued peso and high international prices. Average profits per hectare between 2002 and 2004 were more than twice the average from 1991 to 2001 (EIU 2004: 31). Increasing land prices were another indication of high profitability despite taxation (Treber 2004: 20; Miceli 2008, author's interview). Soy profits were particularly high (Fig. 2); although they declined at the end of 2004 due to a dip in international prices (Fig. 3), they increased again after 2005. The 7.5 percentage point November 2007 tax increase did not alter the upward course of profits over the following months. And although the 9 percentage point March 2008 tax increase depressed profits margins, they nonetheless remained above their November 2007 values.

Fig. 2: Producers' Profits: Soy, pesos/ton, Jan 1998-Jan 2008. Source: Ciappa 2005: 23-24.

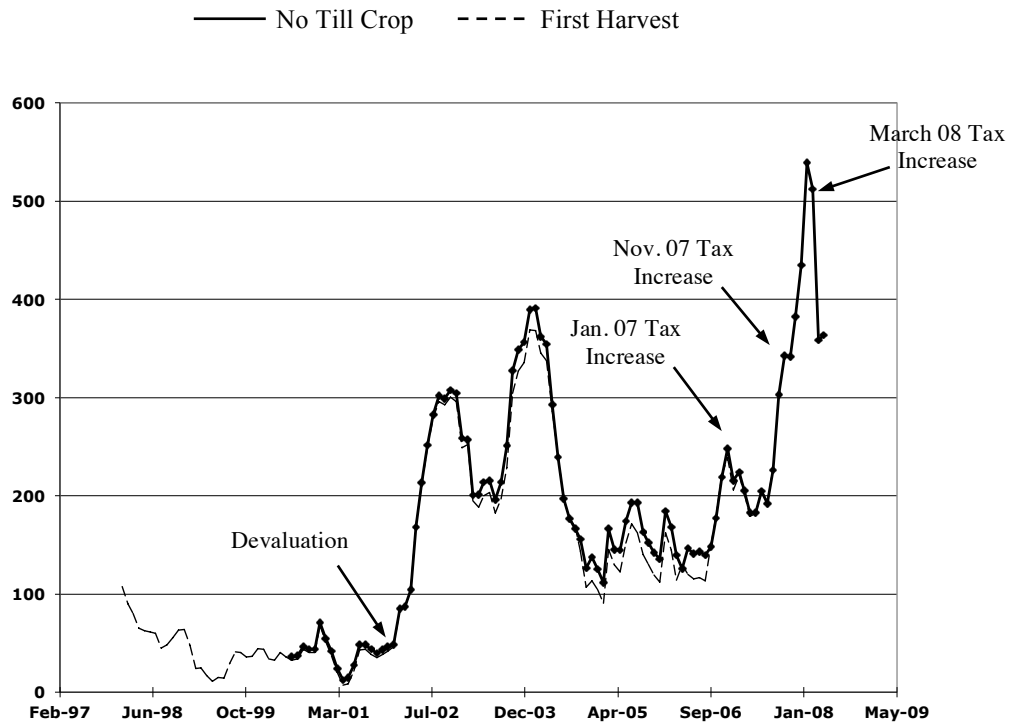
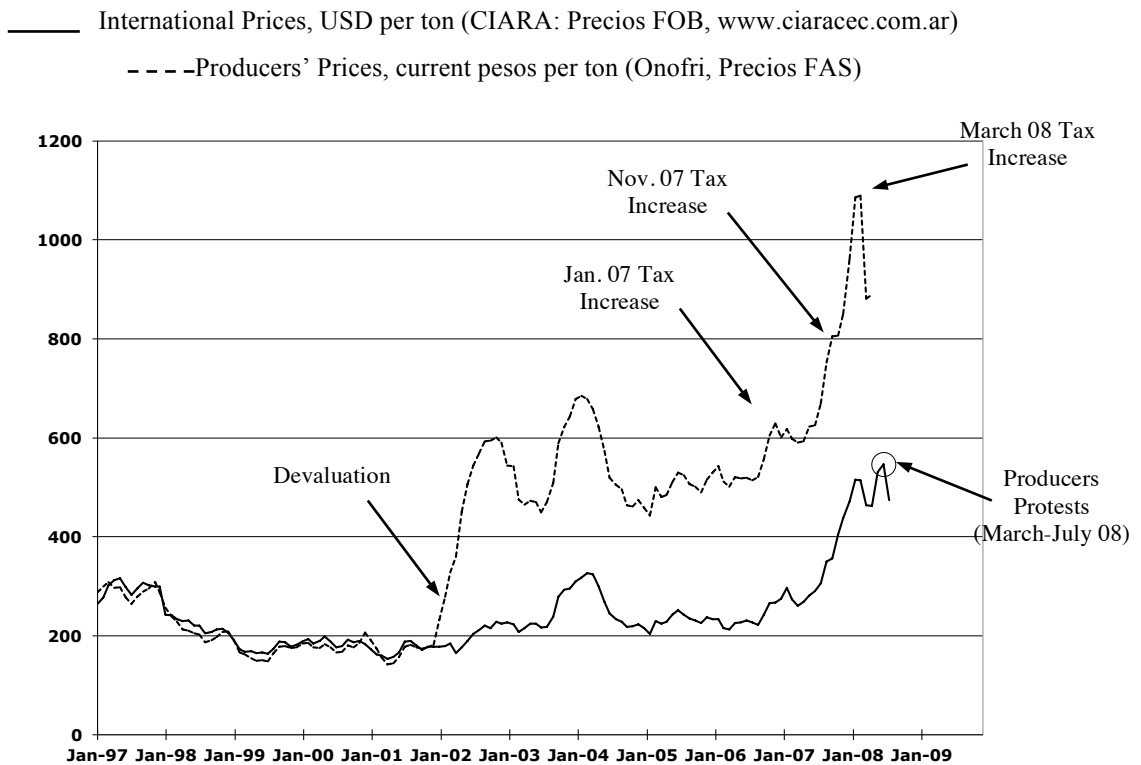


Fig. 3: Soy prices, Jan 1997 – May / July 2008.

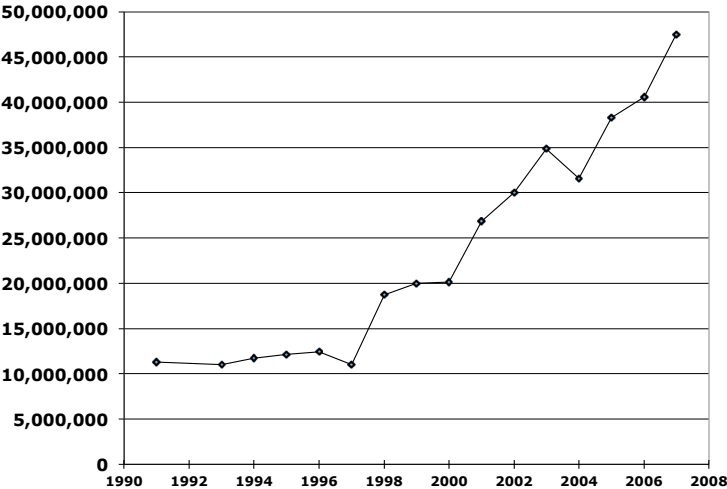


Despite the producers' complaints about the export taxes, they benefited greatly from the undervalued peso, which would not have been sustainable without export taxes (Di Gresia 2006, author's interview). Rodriguez and Arceo (2006: 8) estimate that producers' profits would have been on average 55% lower in 2003 and 2004 if the exchange rate had remained one-to-one as under Convertibility in the 1990s. Inflationary pressures after 2004 eroded the contribution of exchange rate policy to producers' profits (Ciappa 2005: 4); however, rising international prices after 2006 compensated the effect on profit margins.

Under these circumstances, producers clearly faced market incentives to continue investing and producing, and policymakers anticipated that production would continue to grow despite export tax increases. A high-level Economy Ministry official, for example, asserted that export taxes did not alter investment behavior, whereas he did acknowledge that the financial transactions tax, another important revenue-raising instrument, was distortionary (MECON 2006, author's interview). Production data indicate that in the case of soy, the most profitable crop, policymakers' perceptions were correct. Soy production increased from 30.0 million tons to 47.5 million tons from 2002 to 2007 (Fig. 4).

Fig. 4: Soy Production (Tons), 1991-2007.

Source: CIARA, www.ciaracec.com.ar



Weak Instrumental Power

The producers might have been able influence export tax policy despite their weak structural power had they possessed strong instrumental power. For example in Chile, business's strong and multiple sources of instrumental power discouraged governments from increasing taxes during the 1990s and 2000s, even in the absence of structural power (Fairfield 2010b). However, from 2002 to 2008, the Argentine producers' instrumental power was weak.

The producers did not enjoy favorable relationships with the executive branch. Representatives from the sector were not recruited into government, nor did they have strong informal ties to executive-branch officials with significant authority. Professional economists without connections to agriculture headed the Economy Ministry. Lavagna's (2002-05) private sector experience was in industry; Miceli (2005-07) had been a board member of the Bank of the Province of Buenos Aires; Lousteau (January-April 2008) had been chairman of that same institution. Secretary of Internal Commerce Moreno (2005-present), an important figure in Kirchner and Fernández de Kirchner's cabinets, also lacked ties to agriculture. Secretary of Agriculture Campos (2003-07) and his successor Urquiza (2007-08) were agronomists with private-sector experience, but there is no evidence to suggest strong ties to producer associations. Moreover, any informal ties they may have had were either superseded by loyalty to Kirchner (in the case of Urquiza, who worked closely with the future president while both were politicians in the province of Santa Cruz),¹¹ or inconsequential, given the Secretary of Agriculture's inferior status within the executive-branch authority structure. The Secretary of Agriculture was subordinate to the Economy Minister and, in practice, to the Secretary of Internal Commerce. Furthermore, Kirchner maintained tight control over his cabinet and played a central role in

¹¹*Clarín* Jan. 18, 2006.

formulating economic policy. The absence of recruitment or informal ties contrasts with earlier periods. From 1955-1983, members of the large-producer association, the *Sociedad Rural Argentina*, were granted important government appointments (Schneider 2004: 184-6, 192).

Further, the executive branch did not engage in institutionalized consultation with producer associations. Producer association representatives could obtain meetings with executive branch officials at the latter's discretion, but there was no expectation that consultation would precede policy decisions affecting the agricultural sector.¹² This situation again contrasted with prior periods in which producers had been invited to participate in consultative councils.¹³

The producers also lacked strong relationship-based sources of power in the legislative arena. They did not possess partisan linkages; no electorally-significant party treated producers as a core constituency. Argentina's two main parties prioritized other groups; the Radical Party's core constituency was the urban middle class (Gibson 1996: 11), and the Peronist Party, which drew its strength from labor in urban centers and clientelistic networks in poor peripheral provinces (Gibson and Calvo 2000), historically had antagonistic relationships with agricultural producers.¹⁴ Large producers had long been isolated from party politics (McGuire 1995: 202), and party preferences varied widely among both large and small producers (Heredia 2003: 107, FAA 2008: author's interview).

Producers did have informal ties to legislators; for example, Santa Fe Senator Reutemann, an import figure in the Peronist party, was himself a producer. However, strong party discipline

¹²That the producers' interlocutor within the government frequently changed highlights the ad-hoc nature of executive-producer consultations.

¹³For example, following conflict with producers in 1986, Alfonsín formed a council for state-agricultural consultation (Gibson 1996: 163).

¹⁴Relations improved under Menen but resumed antagonistic dynamics under Kirchner.

within the governing coalition, which held an absolute majority in the senate after 2005, tempered that potential source of power. As Eaton (2002: 135-141) argues, party-centered electoral institutions give national and provincial party leaders strong control over legislators who might otherwise favor special interests, particularly when major policy initiatives are at stake. Breaches of discipline occasionally occurred when governors refused to accept national party initiatives perceived as jeopardizing core provincial interests (Eaton 2002: 151-56). However, Kirchner consolidated “top-down, uncontested leadership” within the Peronist party after the 2005 legislative elections (Etchemendy and Garay forthcoming), making Peronist governors and legislators less likely to challenge the president on key components of economic policy. Moreover, export tax policy was an area of exclusive executive authority, rendering the producers’ relationships with legislators irrelevant.

Turning to resources, the producers lacked an encompassing organization, which hindered their ability to forge consensus and overcome collective action problems arising from heterogeneity and geographical dispersion. Four different associations represented distinct types of producers spread throughout the provinces. The *Sociedad Rural Argentina* (SRA), the oldest and most prestigious organization, represented the largest producers and was historically associated with the landed rural elite. *Confederaciones Rurales Argentina* (CRA) represented large producers as well, although they tended to own fewer hectares than SRA members. The *Confederación Intercooperativa Agropecuaria* (CONINAGRO) represented cooperatives, which agglomerated smaller producers. The *Federación Agraria Argentina* (FAA) represented the smallest producers. Given their different constituencies, conflicts of interest among the associations were common. For example, the FAA favored state regulation of commercialization and policies to prevent land concentration, while the SRA advocated free-market policies

(author's interviews: CONINAGRO 2006, SRA.b 2006).¹⁵ And although all producers opposed the export taxes, the FAA was open to accepting the taxes if the revenue funded benefits for small producers, whereas the large-producers associations rejected the taxes on principle (author's interviews: SRA.a 2006, CONINAGRO 2006). While the four associations did lobby jointly on export taxes and other issues affecting the producers as a sector, without an encompassing organization, coordination was loose and short-lived.

Failure to Coordinate Protest

Given their weak structural power and the ineffectiveness of lobbying due to weak instrumental power, producers periodically considered protest to defend their interests. However, without a strong encompassing organization, the producers could not forge and maintain consensus on priorities or strategies. The small-scale, uncoordinated protests that did take place against export taxes and many other policies the producers opposed, including domestic price controls and export registry closures, were largely inconsequential.

In addition to frequent conflicts of interest, the four producer associations diverged in their views of protest. The CRA and FAA frequently advocated protest, whereas the SRA and CONINAGRO preferred dialog with the government whenever possible. Although the SRA and CONINAGRO had participated in strikes in the mid-1980s, informants from these associations asserted that strikes imposed high costs on producers, were difficult to coordinate and sustain, and accomplished little beyond angering the government (author's interviews: SRA.a 2006, SRA.b 2006, CONINAGRO 2006). The SRA's preference for dialog is not surprising given its history of excellent access to the executive branch through recruitment into government and informal ties to high-level officials. Although the SRA lacked these sources of power under

¹⁵ See also *Perfil*, May 25, 2008, *La Nación*, Oct. 4, 2007.

Kirchner, the government's willingness to listen to its complaints, if not to change its policies, encouraged the SRA to adhere to its traditional political repertoire. In contrast, the CRA's decentralized, bottom-up structure made its leaders very responsive to the bases, who tended to advocate confrontation when lobbying failed (author's interviews: CRA.a 2006, SRA.a 2006).

Given the producers' organizational fragmentation, disagreements on strategies, and differences of interests, the government could easily divide and conquer. Benefits for small producers could preclude formation of a united opposition front (Miceli 2008, author's interview). Selective and/or general punishments such as exclusion from meetings with the government or suspension of measures that producers favored raised the cost of protest. As long as the government held out the possibility of negotiating compromises, the SRA and CONINAGRO were unlikely to engage in protest, given their view of strikes as an ineffectual last resort. At worst, the government could expect the CRA and/or the FAA to initiate short protests that could be largely ignored.

A few examples illustrate these dynamics. The Duhalde administration's decision to increase export taxes from 10% to 20% in April 2002 provoked strong opposition from the producers, despite gains associated with currency devaluation.¹⁶ The CRA and FAA proposed a protest when it became clear that lobbying would not yield results. Although the CRA and the FAA asked the SRA and CONINAGRO to participate, the latter two associations declined, given their aversion to confrontation.¹⁷ Further, despite its strong objections to export taxes, the SRA advocated accepting the measure given the government's dire need for revenue to stabilize the economy following the 2001 crisis (SRA.c 2008, author's interview). President Duhalde split

¹⁶*La Nación*, April 6, 2002.

¹⁷*La Nación*, April 5, 11, 13, 25, 2002.

the FAA and CRA by promising to announce measures addressing their broader demands the following month.¹⁸ This offer prompted the FAA to withdraw its support for the protest. The CRA proceeded with a commercialization strike at the end of April, but its four-day protest was too limited to have anything but a symbolic impact.¹⁹ Duhalde's failure to make good on his promise had few repercussions. The FAA mounted its own strike in response, but this action also had little economic impact, since the other associations did not participate.²⁰

The four associations still failed to stage coordinated protest when frustrations mounted in the context of multiple state interventions in agricultural markets during the last years of Kirchner's presidency. In July 2006, for example, the CRA called a protest to oppose beef policy; to the producers' consternation, Kirchner had banned meat exports and implemented various other regulations intended to increase domestic supply and control consumer prices. CRA members did not sell cattle for a number of days, but the other producer associations declined to participate, anticipating that the protest would achieve little (CONINAGRO 2006, author's interview). Although the volume of cattle entering the Buenos Aires market declined, the economic consequences of this small-scale, short-lived producers' strike were again insignificant, as the Economy Minister had anticipated (Miceli 2008, author's interview). In retrospect, SRA, CONINAGRO, and even CRA informants asserted that the strike had been counterproductive (author's interviews: SRA.a 2006, CONINAGRO 2006, CRA.a 2006). The government had planned to reduce export taxes on milk before the strike; however, the reduction was delayed, and conversations with producers regarding a cattle stimulus plan ended (CRA.a

¹⁸*La Nación*, April 28, 2002, May 25, 2002.

¹⁹*La Nación*, April 28, 2002.

²⁰*La Nación*, May 27, 2002.

2006, author's interview). Press reports and producer association informants interpreted these developments as deliberate government retaliations.²¹ A CRA staff member reflected: "we are being punished for the strike. ...we had to stage a show of force to call attention, but strikes from a practical point of view do not have much effect," (CRA.a 2006, author's interview).

The partial exception to the rule of uncoordinated protest was a nine-day commercialization strike in December 2006. The SRA's directorate narrowly voted to join the FAA and CRA in a second protest against government interventions in agricultural markets, in particular, beef export quotas.²² The president of the SRA explained: "Our tradition has always been one of dialog, which is what we have done all year, but it was not sufficient."²³ The SRA's participation gave the strike potential to inflict greater economic impact, given that its members were the largest producers. News accounts described this protest as the most significant yet against Kirchner; the Economy Minister herself acknowledged the strike as the largest in two decades.²⁴ However, like its predecessors, it was too short to cause adverse economic consequences; it was clear to all actors that the availability and price of meat on the domestic market would not be affected.²⁵ The government held firm, accusing the producers of disregarding the needs of Argentine consumers. After the strike ended, subsidies for wheat and corn were announced, but to the producers' dismay, the government decided to fund these compensations by increasing the soy export tax from 23.5% to 27.5% in January 2007. In the

²¹*La Nación*, July 20, 2008.

²²*Clarín*, Dec. 2, 8, 2006.

²³*Clarín* Dec.2, 2006.

²⁴*Clarín*, Dec. 5, 2006.

²⁵*Clarín* Dec. 5, 2006. The CRA later surmised that 30 days would be necessary to noticeably reduce domestic supplies of meat and grains. *La Nacion*, Jan 17, 2007.

SRA's analysis, the protest had merely "worsened relations with the government and produced new reprisals."²⁶ Accordingly, the SRA resumed its approach of seeking dialog and did not endorse subsequent protest initiatives advanced by the CRA and/or the FAA.

The cycle of ineffective lobbying punctuated by minor protests continued throughout 2007. The 2007 export tax increases were largely unchallenged, despite universal condemnation from the producer associations. The FAA and several CRA member federations called for protest against the January increase, but as was the case prior to December 2006, the measures undertaken were limited and inconsequential. These same sectors initially clamored for protest when Kirchner announced an additional 7.5 percentage point soy export tax increase in November 2007, eliciting strong repudiation from producers. However, their actions were limited to a few rallies and demonstrations. The CRA and FAA ultimately agreed with the SRA and CONINAGRO that protest against the outgoing administration would be pointless. The associations instead pinned their hopes on president-elect Fernández de Kirchner's apparent openness to working more closely with the producers.²⁷

III. Emergence of Large-Scale Producers Protest, 2008

Export tax politics changed dramatically in March 2008 when the newly inaugurated Fernández de Kirchner administration increased the soy export tax from 35% to 44%. Given the producers' manifestly weak structural and instrumental power, the government did not anticipate negative economic outcomes or consequential political resistance; rather, policymakers expected that production and investment would continue as they had after previous export tax increases. However, the reform catalyzed unprecedented protest and unity among the four associations.

²⁶*La Nación*, Jan. 18, 2007.

²⁷*La Nación*, Nov. 3, 7, 2007.

How were the producers able to break the cycle of ineffective lobbying punctuated by small-scale, uncoordinated protest? Literature on contentious politics posits that changes in the political opportunity structure encourage collective action (Tarrow 1994: 86). Accordingly, one might hypothesize that massive, sustained protest erupted in 2008 because the new government was weaker or less popular than its predecessor, leading the producers to perceive that protest would be more effective.²⁸ However, electoral results and opinion polls suggest that the government was strong in early 2008. Fernández de Kirchner won the October 2007 election in the first round with 45% of the vote; the Kirchners' coalition made major gains in the gubernatorial races and consolidated its strength in the national congress, winning majorities in both houses. Fernández de Kirchner enjoyed high approval ratings in February and March prior to the 2008 reform. Figures ranged from 46% to 69% depending on the polling agency;²⁹ Ipsos-Mora reported 57% support for the government. One might also hypothesize that the producers thought the economy would be more vulnerable to a strike in 2008; however this scenario does not fit either. The current account showed a surplus, the balance of trade was healthy, and unemployment had been declining in the months preceding the strike.³⁰ Inflation was a growing concern, but that factor would not necessarily act in the producers' favor; the government could blame a strike for driving up prices. Moreover, producer association informants did not mention any strategic calculations related to perceived vulnerability of the government or the economy when asked about the origins of the 2008 protests.

Instead, I argue that the design of the 2008 reform, which was perceived as extraordinarily

²⁸I thank a reviewer for these hypotheses.

²⁹*La Nación*, March 16, April 6, March 21, 24, 2008.

³⁰Radar Macroeconómico. www.bcra.gov.ar

objectionable, played a key role in resolving the producers' collective action problem by intensifying common grievances and convincing all four associations that sustained protest was both feasible and imperative. Two key features of the reform provoked the producers' outrage. First, the magnitude of the tax increase was quite large: 9 percentage points. While profits estimates suggest that on average, producers were well-positioned to absorb the tax increase given rising international prices (Figs. 2, 3), the FAA's assertions that small producers on marginal land or in regions remote from ports were hard hit to the point of facing net losses may well have been accurate (Ciappa 2008; FAA 2008, author's interview). However, magnitude alone cannot explain the producers' reaction; the 2007 tax increase was also large.

Second, and more importantly, the 2008 reform established a new system of variable export tax rates that frustrated the producers' expectations of future gains from increasing international prices. Henceforth, export tax rates would increase or decrease automatically as international prices fluctuated. Effective export tax rates would be calculated using a table of marginal tax rates corresponding to different international price levels. The table included a top marginal rate of 95% applicable if soy surpassed a very high USD 600/ton (MECON 2008: Art. 4). Although the effective export tax rate would never reach 95%, this extremely high top marginal rate ensured that producers' prices would rise much more slowly than international prices after the threshold. In addition, because the formula did not take into account factors affecting profits other than international prices, producers feared that rising input costs would outpace increases in producers' prices and erode their profit margins (author's interviews: SRA.d 2008, CRA.b 2008). Producers had been concerned over inflationary pressures on inputs like agrochemicals for several years (author's interviews: CONINAGRO 2006, CRA.a 2006). The variable rate scheme and the 95% top marginal rate in particular outraged the producers. They believed they

should rightfully reap increasing profits as international prices rose and denounced the reform as confiscatory. In the words of one informant: “Because the tax rates became mobile, producers would not receive anything from an increase in international prices. The state would take everything,” (FAA 2008, author’s interview). According to another informant: “They imposed a maximum price, because above USD 600/ton, if prices went up 100 dollars, the government took 95 dollars and the producer kept 5, that was what we fought against. They took away the expectation that your product [price] could increase,” (SRA.d 2008, author’s interview).³¹ These sentiments, and especially assertions that the new rate scheme in practice imposed maximum prices, were repeated regularly in the press.³² That tax rates would automatically decrease if international prices fell did not quell the producers’ outrage; they focused instead on the immediate effect of the tax increase and the 95% top marginal rate, which acted as a red flag.

The timing of the reform also exacerbated the producers’ reaction. The tax increase was announced just prior to the harvest; producers had made their investments under the prior tax scheme, and they were poised to reap gains associated with the high international prices. As many authors have argued, stability of tax rules is of paramount importance for business actors.³³ However, timing alone cannot explain the producers’ response. The January 2007 export tax increase also took place after crops had been planted, and Argentina’s tax system had long been subject to frequent and often retroactively applicable changes. Ironically, the 2008 reform

³¹Other informants expressed similar sentiments (FAA 2008, CRA.b 2008).

³²See for example *Clarín* March 27, 2008. Producers also claimed the reform would destroy futures markets, but such accusations were likely overstated. A 2003 anti-evasion reform that imposed transfer-pricing restrictions on grains exporters provoked similar fears; however, futures markets quickly adapted (Fairfield 2010a).

³³See for example Ascher (1989).

eliminated the unpredictability of rate increases which had prompted complaints from the producers in previous years.³⁴

In the context of accumulated grievances in other policy areas, the 2008 reform pushed the producers past a threshold of frustration and resolved their collective action problem.³⁵ When asked how the producers finally managed to forge a united front despite their historic differences, an SRA informant responded: “Because of the horror of the measure, because it was very confiscatory. And when you are attacked very strongly, you unite,” (SRA.d 2008, author’s interview). The 2008 reform was “the drop that overflowed the glass” in the words of the CRA president,³⁶ or “the limit that made the whole sector scream in unison” according to another SRA informant (SRA.a 2008, author’s interview). An FAA informant expressed similar views:

The export tax increase itself was a problem, but in addition it detonated the discontent that already existed within the sector, due to very bad policies in livestock, dairy, and various regional products, very poor functioning of the grains markets... A set of reasons motivated the four-month conflict. But clearly the detonator was the tax increase. (FAA 2008, author’s interview)

The 2008 reform convinced all the producer associations, including the otherwise protest-averse SRA and CONINAGRO, that massive protest was both necessary and feasible. On the one hand, the export tax increase dashed hopes that the new administration would be more responsive to the producers than its predecessor. On the other hand, because producers were so enraged by the reform, a massive strike would be easier to initiate and sustain. This context

³⁴*La Nación* March 13, 2008.

³⁵This interpretation agrees with Richardson (2009: 251-2), who outlines a “tipping point” explanation for the protests and stresses the importance of the 2008 reform in resolving collective action problems.

³⁶*La Nación*, March 16, 2008.

alleviated the SRA's longstanding concerns over the difficulty of launching massive protest—producers of all stripes, large and small, now appeared willing to bear the costs of a sustained strike. In fact, the producer associations experienced strong pressure from below to initiate and prolong the strike. The four associations called for a joint two-day strike after the export tax increase was announced³⁷ but decided to extend the protest indefinitely once they saw the “massive reaction from the producers,” (FAA 2008, author's interview). Over the next three months, the strikes were fueled and sustained by enthusiasm from producers on the ground, many of whom did not belong to any of the four associations (author's interviews: FAA 2008, CRA.b 2008). At various points during the conflict, belligerence among the bases, along with their strong demands for the associations to maintain a united front, pushed SRA and CONINAGRO leaders to endorse prolonged protest when they might otherwise have preferred cooling-off periods (author's interviews: CRA.b 2008, FAA 2008, Zavalía 2008).³⁸ Collective action thus had an intriguing dynamic component, in which unexpected levels of support from producers spurred further coordination among the four associations.

While outrage among the bases against the 2008 reform spurred massive participation in the protests, increasing interactions among the four producer associations in previous years served as a basis for enhanced coordination among the leadership.³⁹ By 2006, presidents and staff of the SRA, CRA, and CONINAGRO were meeting every month to evaluate developments in agricultural policy (CONINAGRO 2006, author's interview). While these three associations' staff members had long maintained good working relationships (author's interviews: SRA.a

³⁷*Clarín*, March 13, 2008.

³⁸*La Nación*, March 22, 2008.

³⁹I thank a reviewer for this point.

2006, SRA.b 2006), cooperation improved over the course of 2006 (CRA.a 2006, author's interview). Moreover, the December 2006 strike laid the groundwork for future coordination between the SRA, CRA, and the FAA.⁴⁰ Until then, interactions between the two large producer associations and the FAA had been infrequent, given their historic differences of interest (author's interviews: SRA.a 2008, CONINAGRO 2006).

Early in the 2008 conflict, the four producer associations took a historic step toward organizational integration by creating an Enlace Committee to facilitate joint decision-making. The Enlace Committee helped the associations achieve a degree of coordination that differed qualitatively from the informal collaboration of previous years (SRA.a 2008, author's interview). The Enlace Committee formed the precursor of an encompassing association, which with continued investment could become a future source of instrumental power for the producers.

Throughout the conflict, intense, widespread opposition to the 2008 reform overshadowed differences of interest on other issues and helped sustain the united front, despite recurrent tensions among the four associations. Whereas the government had divided and conquered in previous years by offering selective benefits for small producers, similar efforts failed in 2008. The FAA rejected numerous offers including reimbursements to compensate small producers for the tax increase, creation of a Secretariat of Rural Development to address special needs of small producers, and reactivation of a bill to regulate rural rental markets. While small producers rejected compensations in part due to frustrations over the complex bureaucratic processes, lengthy delays, and uncertainty that they associated with existing subsidies,⁴¹ the other initiatives responded directly to previous FAA requests. Yet the small producers did not break ranks with

⁴⁰*Clarín* Dec. 13, 2006.

⁴¹*Clarín* April 2, 2008.

the other associations; instead, they fixated on the goal of overturning the 2008 reform. Modifications to the new tax rate scheme and increasingly generous and inclusive compensations offered by the government as the conflict advanced were consistently rejected as insufficient. Anti-government sentiments contributed to this intransigence. As an SRA informant recalled: “it was no longer only a struggle against the variable export taxes, it became a matter of principles: saying ‘enough’ to an authoritarian government,” (SRA.a 2008, author’s interview).

Components of Protest

The 2008 protests spanned four months, punctuated by “truces” during which the producer associations and the government tried to negotiate a resolution. The producers mounted both economic and social protest, which offered distinct advantages and drawbacks.

Commercialization strikes were a defining feature of the conflict. These strikes entailed halting the sale and delivery of agricultural products, primarily meat and grains, to domestic and export markets with the goal of forcing the government to revoke the 2008 reform. These actions were not coordinated by market signals, given that soy production and commercialization remained profitable for most producers despite the tax increase. Instead, sustaining these measures required collective action. As with all business strikes, participants incurred non-trivial short-term costs. Halfway through the first major strike, which lasted from March 11 through April 2, the producers had forfeited an estimated USD 95.5 million in potential revenue.⁴² Although grains were stored for sale at a later date, producers paid significant opportunity costs by passing up the very high prices that prevailed during the strikes (CRA.b 2008, author’s interview). Soy reached a record USD 547 per ton in July.

⁴²*Clarín* March 23, 2008.

The producers also engaged in social protest, including roadblocks, demonstrations, and rallies, made possible by participation of small and medium producers along with large producers. Roadblocks disrupted transit and, in conjunction with commercialization strikes, curtailed delivery of food to urban centers. Rallies and demonstrations mobilized large numbers of producers at key moments during the conflict. The April 2 assembly in Gualeguaychú, at which the producer associations announced a month-long truce to pursue negotiations with the government, drew an estimated 30,000 participants; a rally in Rosario on May 25, after another round of protest followed by unsuccessful negotiations, convened around 200,000 participants.⁴³ Social protest was particularly strong in the provinces of Santa Fe, Córdoba, Buenos Aires, and Entre Ríos. The first three provinces produced 80% of Argentina's soy.⁴⁴

Commercialization strikes and roadblocks were powerful but double-edged weapons. These highly disruptive tactics forced producers' demands onto the national agenda by affecting citizens' daily lives. Food supplies in the capital declined substantially by the end of March, provoking price increases and shortages of beef, milk, and vegetables.⁴⁵ However, starving the domestic market and blocking inter-provincial transit incurred public repudiation. Polls reported that 56% to 91% of respondents in metropolitan Buenos Aires rejected these measures.⁴⁶

During strikes after the April truce, producer association leaders sought to target only export markets, not domestic markets, to avoid antagonizing the public.⁴⁷ This tactic did not

⁴³*Clarín* April 3, 2008; *Clarín* May 27, 2008.

⁴⁴www.minagri.gob.ar/SAGPyA

⁴⁵*La Nación*, April 1, 2008.

⁴⁶*Página 12*, April 8, 2008. National polls also found broad rejection of roadblocks (*La Nación*, May 27, 2008).

⁴⁷*Clarín* April 23, May 2, 8, June 16, 2008. However, roadblocks recurred in June, contributing to shortages and price increases. *Clarín* June 24, 2008.

achieve its goal of depriving the government of revenue and foreign exchange. Export tax revenue registered increases every month compared to the previous year's values, thanks to high international prices and exports of previously purchased stock.⁴⁸ And export companies continued to sell dollars; the value of accumulated sales of foreign exchange as of June 2008 was 1.7 times the equivalent figure for 2007.⁴⁹ However, non-commercialization of grains significantly depressed export activity and contributed to the broader costs of the protracted conflict. By mid-June, the total cost was estimated at USD 3,400 million, an anticipated 1% of GDP.⁵⁰ This economic damage created multiple political pressures on the government to resolve the crisis, as discussed in the following section.

Rallies and demonstrations, while far less disruptive, signaled the producers' unity, numbers, and commitment (Tilly 2004). These events counterbalanced similar shows of strength organized by government supporters as both sides vied for public approval. Massive rallies and demonstrations also gave the producers an edge over the government in framing battles. By showcasing participation from small and medium producers, these events helped counteract efforts to portray the protestors as privileged elites, as elaborated below.

IV. Protest and the Reversal of the 2008 Reform

While the outcome of the protests was not inevitable, the producers ultimately secured their goal of overturning the 2008 reform. The sustained protests imposed heavy political costs on the executive in the form of negative popular opinion, discontent among the broader business

⁴⁸DNIAF 2007, 2008: Recursos Tributarios, www.mecon.gov.ar, *Clarín* May 6, 29, June 5, 2008.

⁴⁹CIARA: Liquidación de Divisas, www.ciara.com

⁵⁰*Clarín*, June 16, 2008.

community, mobilization of urban anti-Peronist sectors, and divisions within the governing coalition. These costs eventually compelled the executive to grant significant concessions in an effort to end the conflict. Protest and coordinated lobbying helped tip the balance in favor of the producers in congress, the arena in which the fate of the reform was ultimately decided.

At the outset of the conflict, the government was not disposed to negotiate. The administration dismissed producers' claims that the reform made production unprofitable and would provoke reduced investment; arguments invoking structural power still lacked credibility. The new export tax rate set producer prices back to their values at the end of the previous year; the Secretary of Economic Policy asserted: "if it was profitable to produce soy two months ago, it will hardly stop being profitable now. Soy [prices] increased 70% in six months..."⁵¹ And given the producers' history of collective action problems, the executive likely anticipated that strikes would be short-lived.

The executive tried to manage opposition by framing the export taxes as a progressive policy tool that redistributed wealth from agrarian elites to the poor. In her first speech addressing the conflict on March 25th, Fernández de Kirchner denounced the producers' protests as "the strikes of the most profitable sectors" and asserted "the export taxes are a profound means of redistributing income."⁵² However, the producers' united front undermined this framing strategy; small-producer participation challenged the administration's assertions that the protests reflected elite interests. As a CRA informant candidly observed: "If [the government] had confronted a sector representing only the right, it would have been very easy to discredit. Since the groups had united, from the right [SRA] to the left [FAA] ...it was very complicated

⁵¹*La Nación*, March 13, 2008.

⁵²*Clarín*, March 26, 2008.

[for the government],” (CRA.b 2008, author’s interview). Telephone polls conducted after the president’s speech suggest that the government’s framing strategy was not successful in this new context. According to a national poll, 60% of respondents reacted negatively to the speech whereas only 6% reacted positively; a poll of metropolitan Buenos Aires reported 59% negative and 14% positive responses.⁵³ The producers, meanwhile, sought to reframe their struggle as a battle between the provinces and the central government: “The path we have undertaken is not just for ourselves. It is for all Argentines who want a federation without centralist and unitary practices.”⁵⁴ Framing the conflict in these terms aimed to capitalize on discontent among many governors over the executive’s discretionary allocation of export tax revenue to the provinces, rather than automatic revenue-sharing, as was the rule with other taxes.⁵⁵

While opinion polls reported widely ranging levels of support for the producers throughout the conflict, overall, the evidence suggests that a substantial proportion of citizens viewed the producers’ demands as legitimate. According to a national telephone survey, 64% of respondents felt the protests were motivated by legitimate interests; another poll reported 65% support for the producers’ demands.⁵⁶ Ipsos-Mora found that the producers retained high levels of public approval throughout the conflict; the percent of respondents asserting that the producers contributed “a lot” or “some” to the country increased from an average of 85% from

⁵³Datamática. *La Nación*, April 6, 2008; Consultor Analogías. *Página 12*, April 8, 2008.

⁵⁴*Clarín*, May 10, 2008.

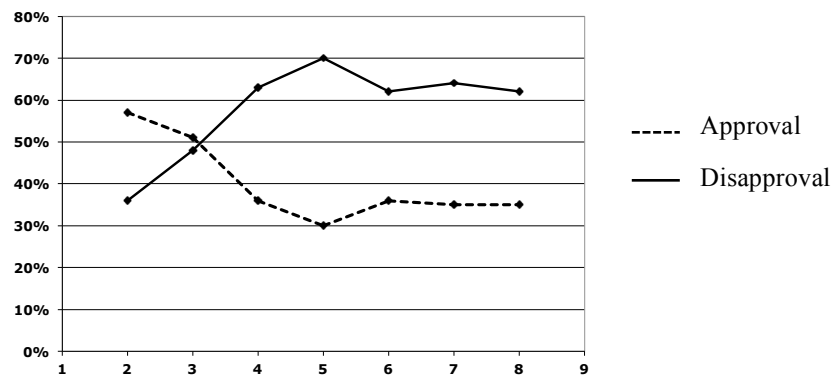
⁵⁵*La Nación*, April 3, 2008.

⁵⁶Segunda Encuesta Nacional Sobre Imagen de Gestión, May 20, 2008, datamatic.com.ar; Management and Fit, *La Nación* May 27, 2008. Ibarometro’s metropolitan Buenos Aires telephone polls found that the percent of respondents viewing the producers’ demands as “just” increased from 21% in early March to 39% in early April. Analogías reported a drop in support for the producers’ demands from 64% in March to a still high 43% in April.

2002-07 to 89% in April and 92% in May.

Furthermore, the sustained protests generated widespread public frustration with the government. Polls showed steadily declining positive evaluations and steeply rising negative evaluations of the government throughout the conflict. According to Ipsos-Mora, negative ratings rose from 36% prior to the March strike, to 70% in May when the producers staged their second major strike (Fig. 5).⁵⁷

Fig. 5: Monthly Government Approval Ratings, Feb.-Aug. 2008 (Source: Ipsos-Mora)



Discontent also grew among business actors beyond the agricultural sector. The business community had not opposed export taxes previously; many business leaders recognized that eliminating the taxes would hurt the fiscal surplus, which they viewed as critical for macroeconomic stability. In fact, the *Asociación Empresaria Argentina*, an association of large business owners, and the Argentine Industrial Union (UIA) had publicly affirmed the necessity of export taxes.⁵⁸ However, this support gave way to growing concern over the generalized economic costs of the protests and measured demonstrations of solidarity with the producers.

⁵⁷The Universidad di Tella's surveys, based on telephone interviews in urban areas, reported similar trends.

⁵⁸*La Nación*, Aug. 13, 2005; March 18, 2008.

For example, the UIA warned that it would not sign a cross-sectoral government-business development accord if the producer associations did not participate as well.⁵⁹

Meanwhile, frustration with the lengthy conflict and rejection of the government's confrontational rhetoric provoked mobilization of anti-Peronist sectors in upper and middle-income neighborhoods of the capital and in urban centers of Córdoba, Entre Ríos, and other provinces. Participants denounced the government's policies and/or expressed solidarity with the producers. The first of these urban anti-government demonstrations took place after the president's March 25th speech, in which she defended the tax increase and referred to the protests as "pickets of abundance." Anti-government demonstrations also erupted in mid-May and in mid-June in the context of the second and fourth producers' strikes.⁶⁰

As the protests continued, old power struggles within Peronism reemerged, and the Kirchners' coalition showed signs of strain. The government's declining approval ratings and opposition from other social sectors created an opportunity for rival Peronist leaders like Duhalde, who had lost control of the PJ party machine to Kirchner after 2005, and Rodríguez Saá, who had run unsuccessfully against Fernández de Kirchner in 2007, to contest the Kirchners' authority. Rodríguez Saá denounced the 2008 reform as unconstitutional in May and supported the producers. By early July, Duhalde was openly rebuilding alliances within the PJ with an eye toward challenging the Kirchners.⁶¹ Other high-profile dissident Peronists who opposed the 2008 reform included senators Ruetemann and Menem. Cracks developed within the ranks of the Kirchners' supporters as well. Discontent surfaced early among the "Radicales-

⁵⁹*La Nación* March 27, 2008, *Clarín*, April 27, 2008.

⁶⁰Demonstrations on June 15 and 17 drew an estimated 900-1000 people. *Clarín* June 17, 2008.

⁶¹*Clarín* July 9, 2008.

K,” a dissident faction of the Radical Party integrated into the Kirchners’ coalition. The sector disliked the government’s handling of the conflict and desired greater political influence.⁶² Radical-K governor Brizuela left the Kirchners’ coalition in mid-April, citing the 2008 reform as one reason for his decision.⁶³ Later in the conflict, Vice-president Cobos, himself a Radical-K, openly criticized the government and advocated for congress to decide the fate of the 2008 reform. Tensions also developed with several Kirchner-coalition governors and legislators from conflict-ridden provinces, including Córdoba, Entre Ríos, and Buenos Aires.

Facing intransigence from the producers and growing economic and political costs, the government made more significant concessions that culminated in the remarkable decision to allow congress to decide the fate of the 2008 reform. This decision, which followed a wave of renewed anti-government protests in the capital, constituted a major abdication of authority. Export tax policy in Argentina had long fallen under the purview of the executive branch without legal challenge.⁶⁴ This move granted the producers’ demand that all tax reforms require congressional approval.⁶⁵

While the producers lacked strong relationships with legislators, they anticipated that lobbying in congress could nevertheless advance their interests. Discontent within the governing coalition, which held the majority in both houses, created new opportunities for the producers. Breaches of discipline within the ranks of Peronist legislators were most likely to occur on initiatives that ran counter to provincial interests, during periods when the national party

⁶²*Clarín* April 21, 2008.

⁶³*Clarín* April 17, 2008.

⁶⁴That the high court might rule against the constitutionality of the 2008 reform, given legal ambiguities, may also have contributed to the executive’s decision; however, a ruling was not imminent. *Clarín* June 29, July 3, 16, 2008.

⁶⁵“Proclama de Gualaguaychú” April 2, 2008, www.ruralarg.org.ar, accessed June 28, 2008.

leadership had been weakened (Eaton 2002). Prior to the protests, these conditions did not prevail. In fact, in late March, the senate passed a resolution supporting the government's export tax policy by a wide margin.⁶⁶ However, the sustained protests turned the 2008 reform into an issue that pitted the national government's interests against those of governors and legislators in the central provinces, and by June, the Kirchners were far from the peak of their control over Peronism. Meanwhile, opposition parties had rushed to support the producers.

The producers' protests, along with coordinated lobbying, contributed to a narrow rejection of the 2008 reform in the Senate. While the bill passed in the lower house after intense negotiations and expansion of compensations for small producers, there were enough defections among the government's ranks to force a tie in the Senate. Vice President Cobos cast the deciding vote against the reform, to the government's consternation. Fears of continued strikes helped tip the vote against the executive's proposal.⁶⁷ According to producer association informants, legislators recognized that approving the reform would merely prolong the crisis: "the legislators realized that it was not just agriculture's problem, but that the economy in the interior of the country would be paralyzed," (SRA.c 2008, author's interview). Political pressure from producers within their districts also weighed heavily on many legislators. The producers, previously diffuse and fragmented, were emerging as a coherent constituency. In addition, producers staged confrontational demonstrations in front of representatives' personal residences;⁶⁸ an SRA informant quipped that many senators "realized they would not be able to return to their regions because they would be killed" if they voted with the government (SRA.a

⁶⁶Proyecto de Resolución 612/08, www.senado.gov.ar

⁶⁷*La Nación*, June 4, 2008.

⁶⁸*Clarín* July 7, 12, 15 2008.

2008, author's interview). The producers exerted pressure of a more civil variety by presenting to congress one million signatures against the 2008 reform.⁶⁹ Meanwhile, with the help of the Enlace Committee, the producer association leaders mounted an intensive, coordinated lobbying campaign (SRA.a 2008, author's interview). An SRA informant attested to the importance of both coordinated lobbying and protest for defeating the tax increase:

It was hard work. We went door to door visiting all the deputies and all the senators. We were explaining in all the commissions. ... And apart from that, the social pressure from all the producers, I think that was very important. Investment stopped with the protest, everyone saw the impact of reduced investment, the economic collapse. ...It was the sum of everything. (SRA.d 2008, author's interview)⁷⁰

While the producers' willingness and resolve to sustain protest was critical to the demise of the 2008 reform, the government's own strategic errors contributed as well. In retrospect, these errors included confrontational rhetoric, which spurred the producers' enthusiasm for protest and alienated public opinion, as well as the extremely high top marginal tax rate in the 2008 reform.⁷¹

V. Comparative Perspective

In capitalist democracies, business can influence policy through deliberate political actions (instrumental power), or by virtue of policymakers' anticipations regarding the market-

⁶⁹*Clarín* July 2, 2008.

⁷⁰The tone of these quotes is triumphant, yet producers did not view their success as inevitable; the outcome was uncertain until the end.

⁷¹Earmarking the tax increase to popular projects early on might have bolstered political support for the reform; the bill sent to congress dedicated the revenue to health care, housing, and roads, but it was too late to save the reform.

coordinated economic reactions of private-sector agents to government policies (structural power). I have argued that business actors are likely to resort to protest when weak instrumental power and weak structural power prevent them from defending their core interests through more usual and less costly means. While literature on contentious politics finds that popular protest is likely to arise when political opportunities are expanding, business protest is likely to arise not only when political opportunities are contracting, but when business's unique capacity to exert influence through structural power is weak as well.

In Argentina, producers' protests emerged after years of policy defeats associated with their remarkable lack of any strong source of power, instrumental or structural. On the instrumental side, the producers lacked advantageous relationships with policymakers and organizational resources that could have made lobbying more effective. On the structural side, soy production remained so profitable despite export tax increases that policymakers were not constrained by anticipation of reduced investment or production.⁷² Given the absence of a strong encompassing association that could have resolved intra-sectoral conflicts and established consensus on priorities and strategies, massive protest did not emerge until the government imposed a policy perceived as extraordinarily intolerable, intensifying common grievances and overshadowing differences of interests.

A brief examination of other Latin American cases of business protest suggests that the conditions I identify help explain the emergence of this phenomenon more broadly. Challenges

⁷²Booms often reduce commodity sectors' structural power, which helps explain the recent global surge of initiatives to increase mining royalties. However, concern that countries with lower taxes will attract more new foreign investment in commodities sectors can still create structural power. The scope and outcome of initiatives also depends on domestic and foreign business actors' instrumental power, as well as the strength of popular demands that may counterbalance their power (Fairfield 2010a).

to core business interests, namely, threats to property rights or even capitalism, motivated business protests in Chile (1972), Bolivia (2005-08), and Venezuela (2002-03). Objectionable policies included broad-based nationalizations in Chile, and both land reform and increased state control over the hydrocarbons sector in Bolivia and Venezuela. In these cases, as in Argentina, redistribution was a central factor that both motivated government policymakers and antagonized private sector actors. While the Argentine producers primarily focused on reversing the 2008 export tax increase, business in the other cases pursued more radical goals concomitant with the threats they perceived. Business in Chile and Venezuela, along with other societal sectors, sought to overthrow presiding governments. Business in the wealthy lowland departments of Bolivia pursued radical regional autonomy that would shield them from the central government's redistributive ambitions (Eaton 2007).

As in the Argentine case, threats to business interests in Chile, Bolivia, and Venezuela arose in contexts of weak or declining relationship-based instrumental power, and weak or inconsequential structural power. Business's instrumental power with respect to the executive branch declined dramatically with the election of left presidents Allende (1970-73), Morales (2006-present), and Chávez (1999-present). These presidents denied business cabinet appointments, and business lacked informal ties with executive-branch officials; these sources of power had been common under previous administrations (Schneider 2004: 161-3, Ortiz 2004: 87, Ellner 2008: 126, Wilpert 2007: 206, Eaton 2007: 23). Instrumental power with respect to the legislature simultaneously declined or became less relevant for influencing policy. In Chile, Allende's "recourse to administrative fiat" rendered center and right party opposition to nationalization ineffective (Silva 1996: 44). In Venezuela, the rise of the left and the collapse of the opposition left business with few advocates in congress; meanwhile, Chávez centralized

authority within the executive branch. In Bolivia, parties with strong ties to business retained significant representation in the senate from 2006 to 2009, but Morales often circumvented legislative opposition by resorting to presidential decrees (Kohl 2010: 113).

In these cases, government policies often provoked market-coordinated disinvestment. However, dramatic expansion of the state's role in the economy weakened business's structural power. The Chilean government believed that increasing state control over production and investment would counteract the private sector's reduced participation (Ascher 1984: 248). Similarly, growing state control over the hydrocarbons sector in Bolivia and Venezuela bolstered governments against declining private investment. Further, the imperative of responding to highly-mobilized popular sector constituents demanding transformative, redistributive reforms preempted any concern over short-term loss of investment during transitional periods.⁷³

This comparison set highlights the unusual aspect of the Argentine case: that protest emerged in the absence of an encompassing association. Chile, Bolivia, and Venezuela had strong encompassing associations before the decline in business power and the advent of the threats to business interests. These associations played major roles in mobilizing business protests and in some cases coordinating with other anti-government sectors. Chile's economy-wide business association, the CPC, along with the industrial association, the SFF, forged a broad business opposition front (Silva 1996: 48). In Bolivia, business peak associations in the department of Santa Cruz provided financial and organizational resources to mobilize participation from labor unions, indigenous groups, and ordinary citizens (Eaton 2011). And Venezuela's peak association, FEDECAMARAS, spearheaded an anti-Chávez alliance with the

⁷³Consider workers' factory takeovers to accelerate nationalizations in Chile (Stallings 1978: 134-7) and mass mobilizations demanding hydrocarbons nationalization in Bolivia.

conservative labor federation and the displaced opposition parties.

While peak associations mitigated collective action problems, severe threats to core interests diminished persistent divisions among business in Chile and Bolivia, just as the 2008 export tax reform united Argentine producers. In Chile, the imminent threat to private property compelled small and medium business to side with big business, represented by the CPC and SFF, against the government (Silva 1996: 54). And in Bolivia, rivalries and differences of interest between agriculture, finance, and industry dissipated in the face of perceived threats to property rights (Eaton 2007: 86-7).

These cases also illustrate the wide range of variation in protest strategies employed by business actors in different contexts. Business strikes were important components of protest against Allende in Chile and Chávez in Venezuela. Although much of the massive disinvestment during Allende's presidency was market-coordinated, Ascher (1984) observes that politically-coordinated disinvestment and disruption of production dominated by 1972.⁷⁴ Business's October 1972 offensive involved truckers' strikes, retail commercialization strikes and industry lock-outs (Stallings 1978: 141). Business in Venezuela also staged commercialization strikes and lockouts during the December 2002—January 2003 protest. However, the concomitant managers' strike in the state-owned oil industry, coordinated with FEDECAMARAS, had greater potential for hurting the government, given state reliance on hydrocarbon revenues (Ellner 2008: 119). Bolivia is noteworthy for business's minimal resort to strikes. Business elites focused instead on mobilizing large numbers of ordinary citizens to demand autonomy (Eaton 2011).

⁷⁴“The decisions to leave land uncultivated, close down factories, and otherwise undermine the economy constitute the most clear-cut instance of economic action designed literally to force replacement of the regime, with complete disregard for short-term economic rationality.” (Ascher 1984: 256)

While comparative analysis of the outcomes of these protests lies beyond the scope of this paper, a preliminary examination suggests the utility of constructing fronts that include small and medium business along with large business, and/or alliances with popular sectors. In Argentina, small and medium producers' participation undermined government efforts to portray protestors as agrarian oligarchs and contributed to sympathetic public opinion. Similarly, in Bolivia, Eaton (2011) notes the importance of broad popular participation in the movement spearheaded by business for countering Morales' efforts to frame the opposition as a defending elite interests. In Chile, highly visible participation by small and medium businesses undermined Allende's efforts to build an alliance with middle-income sectors. Small and medium business protest signaled the inviability of Allende's project and contributed to the military's decision to intervene (Ascher 1984: 255-6). Big business deliberately minimized its own visibility in the opposition movement so as not to "take on the appearance of the large bourgeoisie against the workers," (Stallings 1978: 139). In Venezuela in contrast, FEDECAMARAS failed to secure broad small and medium business participation in strikes. These sectors instead supported Chávez, who had granted them various state benefits (Wilpert 2007: 72, Ellner 2008: 169-70). Support from small and medium business, among other important factors including the petro-state's accumulated savings (López Maya 2007: 192), the government's resolve in the context of a high-stakes battle, and the armed forces' loyalty, may help explain how Chávez survived the two-month protest.

Examining additional cases of business protest in and beyond Latin America could provide further opportunities for theory-building on this rare but important phenomenon. Just as literature on contentious politics has expanded its scope of analysis to such disparate contexts as social movements, ethnic conflict, and revolution (McAdam et al 2001), literature on business politics would benefit from systematically analyzing multiple manifestations of business protest

across different historical periods and distinct political contexts, from narrow reactions against an unfavorable policy, to social movements, to coup coalitions. Among other questions, future analysis could examine how and why the components of business protest vary and to what extent episodes of protest lead to the development of new sources of instrumental power, for example, by creating incentives for the government to establish relationships with business that afford regularized access, by fomenting relationships between opposition parties and business, and/or by encouraging sustained business investment in encompassing associations.

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