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## **State-Business Relations and the Financing of the Welfare State in Argentina and Chile**

*Challenges and Prospects*

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prepared for the UNRISD project on  
Politics of Domestic Resource Mobilization

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This paper is part of a series of outputs from the research project on The Politics of Domestic Resource Mobilization for Social Development.

The project seeks to contribute to global debates on the political and institutional contexts that enable poor countries to mobilize domestic resources for social development. It examines the processes and mechanisms that connect the politics of resource mobilization and demands for social provision; changes in state-citizen and donor-recipient relations associated with resource mobilization and allocation; and governance reforms that can lead to improved and sustainable revenue yields and services. For further information on the project visit [www.unrisd.org/pdrm](http://www.unrisd.org/pdrm).

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## Acronyms

AFJP	Administradoras de Fondos de Jubilaciones y Pensiones (Pensions and retirement accounts fund managers) – Argentina
ANSES	Administración Nacional de Seguridad Social (National social security administration) – Argentina
CMEs	Coordinated Market Economies
CPC	Confederación de la Producción (Production confederation) – Chile
CRA	Confederaciones Rurales Argentinas (Argentine rural confederation)
FAA	Federación Agraria Argentina (Argentine agricultural federation)
IMF	International Monetary Fund
ISAPRES	Instituciones de Salud Previsional (Pensioners' health institutions) – Chile
KPMG	Audit, tax, and advisory services international firm formed in 1987 when Peat Marwick International and Klynveld Main Goerdeler merged
LMEs	Liberal Market Economies
OECD	Organization for Economic Cooperation and Development
PPD	Partido Por la Democracia (Party for democracy) – Chile
PPM	Political and policy mix
PRA	Power resources approach
PS	Partido Socialista (Socialist Party) – Chile
RN	Renovación Nacional (National renewal) – Chile
SRA	Sociedad Rural Argentina (Argentine rural society)
T S & L	Tax, social, and labour
UDI	Unión Democrática Independiente (Independent democratic union) – Chile
UIA	Unión Industrial Argentina (Argentine industrial union)
VAT	Value added tax
VoC	Varieties of Capitalism

## Summary

In this paper we examine the ways in which taxation, social, and labour (T S & L) policies in Argentina and Chile have been shaped by state-business relations and capital-labour relations in a context where business organizations/ associations have different degrees of cohesiveness through time. At the heart of our theoretical framework is the view that social democratic/egalitarian/progressive policy proposals must incorporate the role of unequal power relations in the shaping of such policies. We suggest that the implementation and maintenance over time of such policies by the state is a contested process that mediates between business pressures for pro-business policies and the larger society's demands for social justice. This suggests the need for what we call a political and policy mix (PPM) that *could* maintain business confidence in the presence of strong unions and a strong welfare state—at least for a while. Yet we suggest that designing a well-functioning PPM is hardly an easy task, given the contested and turbulent terrain in which the state operates. Finally, we argue following Schumpeter, Kaldor, and others that there is a need for a fiscal sociology of taxation in order to understand historically determined economic, social, political, and institutional factors that shape the level and composition of taxation which is central to financing of social democratic policies.

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The opinions are the authors' own and do not necessarily represent those of UNICEF, Sarah Lawrence College or ECLAC.

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