Book Review
Tasha Fairfield, Private Wealth and Public Revenue in Latin America: Business Power and Tax Politics (New York: Cambridge University Press, 2015), pp. xvii + 345.

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This book analyses the role of business associations in Latin American tax reforms implemented during the 1990s and early 2000s. Based on well-established theories of business power (developed several decades ago by renowned scholars such as Albert Hirschman, Charles Lindblom, Ralph Miliband, and Wright Mills, among others), Fairfield argues that "when economic elites have strong instrumental and/or structural power, increasing taxes on income and wealth is difficult" (p. 53). According to this traditional theory of business power, business interest groups have two sources of leverage over policymakers: instrumental power and structural power. Instrumental power is based on relationships with policymakers (i.e., partisan linkages, institutionalised consultation, or informal ties) and organizational resources (i.e., organizational cohesion, media access, or money); meanwhile, structural power stems from the policymakers' expectations about the consequences of their policies on investment decisions. Based on this conceptualization of business power, Fairfield argues that economic elites in Chile were more successful in imposing their tax policy preferences because they were better-organized, better-connected, and better-resourced than their peers in Argentina (and Bolivia), because divestment threats were more credible, and because Chilean policymakers were particularly cautious of expansive fiscal policies. Fairfield also argues that, although most of the governments in the region had limited capacity to neutralize business interests, some of them have successfully developed circumventing strategies to weaken the political influence of business associations in tax negotiations.

Fairfield supports her argument with carefully gathered qualitative evidence (mostly media reports and interviews) through case studies of Argentina, Bolivia, and Chile. The rationale of her argument is straightforward: after the democratic transition, Chilean business was better organized around the CPC and better connected with the right-leaning coalition in congress. She concludes that Chilean business associations were instrumentally powerful, and consequently, they were particularly influential in the policymaking process and successful in neutralizing a number of revenue-raising initiatives promoted by the governing centre-left coalition between 1994 to 2010. Additionally, policymakers in post-authoritarian Chile were unwilling to promote unattractive economic policies that could harm private investment and macroeconomic stability. According to Fairfield, these two factors explain why direct taxation is particularly low in Chile and why it was difficult for Concertación governments to implement progressive tax reforms.

This was not the case in post-authoritarian Argentina, where business interest groups were less organized, encompassing business associations were weaker, sectoral business associations had weaker linkages with legislative parties, and their resources for lobbying were less abundant. Fairfield argues that Argentinian business interests were not instrumentally powerful, or at least, they were less instrumentally powerful than their Chilean peers. Furthermore, politicians and policymakers were not particularly concerned about macroeconomic stability or protecting direct private investments. The Argentinian economy was more diversified than the Chilean economy, and capital mobility seemed less threatening. Therefore, the high level of fragmentation among the Argentinian economic elites and the relative low importance of disinvestment threats made it easier for Peronist governments to raise direct tax revenues over the past two decades. For the case of Bolivia, Fairfield draws more nuanced conclusions than the previous two cases. Business associations in Bolivia were rather weakly institutionalized (regionally fragmented business organization, weak or unstable partisan linkages, and ineffectual channels with policymakers), rendering them less capable of influencing the political agenda. But most importantly, business power was effectively counterbalanced by constant and credible threats of massive popular mobilization.

Fairfield's book makes a crucial contribution to the study of business and tax politics in Latin America. Her argument is quite straightforward and convincing, and the evidence presented is extensive and carefully crafted (especially in the case of Chile; the chapter on Bolivia is less exhaustive). Fairfield's book offers a proficient description of the political conflict behind a number of recent tax reform initiatives in Latin America, highlight different sources and dimensions of business power, and analyses its consequences for tax policy in the region. The examples selected give the reader a good sense of the political interaction between economic elites, business-friendly legislative parties, and government officials. They also illustrate the salience of tax issues for voters and public opinion.

However, this book does not provide a forceful theory about the political and institutional mechanisms that translate business power into policy outcomes. How does business power oppose government's tax policy preferences? Fairfield provides some clues about their strategies and about the government's methods to circumvent business opposition, but this book does not elucidate the interaction between government and business in the policymaking arena. The disproportionate focus on business power does not allow us to completely understand the role of government officials and technocrats in the policymaking game, and it downplays the dynamic relationship between economic elites and politicians. Fairfield herself recognizes that party politics matters and the president's tax policy preferences are not only a function of business power (policymakers' tax preferences can also be quite responsive to public opinion even in contexts where business are quite powerful – e.g. Pinera's 2012 tax reform). Nevertheless, this book only provides a cursory discussion of the effects of partisanship, the dynamics of coalition building in congress, and the distinct but entwined roles of the president and business in crafting those coalitions to change tax policy.

In summary, Fairfield makes an important contribution to the field's understanding of instrumental and structural business power (the evidence presented on instrumental power is far more convincing than that of structural power) and their possible correlation with tax policy outcomes in Latin America. However, more research needs to be done to develop a causal theory on the mechanisms that translate business power into political influence and specific tax policies. Such a theory would require us to proportionately focus on both business and policymakers, and understand the dynamics of the political bargaining between them.