

**TAX REFORMS AND INCOME DISTRIBUTION  
IN LATIN AMERICA**

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# TAX REFORMS AND INCOME DISTRIBUTION IN LATIN AMERICA

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With regard to the problem of inequality in Latin America, fiscal policy should be part of the solution if only because, with the last wave of tax reforms, it might well have become part of the problem. This paper examines relationships in both directions between the reforms of the past three decades and the region's highly unequal income distribution. Did the reforms make inequality even worse? Given that the nature of the reforms might have been known to make this likely, why were such reforms chosen anyway? And in view of pressing distributional issues, what new tax reforms are desirable at this point?

Briefly, I show that from a global perspective, recent tax reforms have accentuated a Latin American anomaly, its governments' unusually great reliance on indirect (consumption) taxes and their trivial levels of personal income taxation. At the same time, income distribution data show that Latin America, on average, grew more unequal from the late 1980's until the early 2000's. I then weigh some evidence for a relationship between these two trends, from tax incidence studies and the temporal patterns of tax reform and changes in inequality within and across countries. It appears that the tax reforms worsened inequality, but probably not very much. In answer to the question on the choice of reforms, I find no clear link between authoritarianism or inequality and the depth of tax reform. I point mainly to circumstantial factors—the pressing need for revenue, intellectual currents, and the role of the IMF—as well as to the unrealistic hope that spending could easily be reoriented toward effective redistribution. But I also argue that the region's great inequality conditioned this choice in a fundamental way: when your country's investment capital is held by very few, it is reasonable to fear capital flight in response to taxes on property or income. As for current and future reforms, I argue that getting more revenue is still just as important, and maybe more feasible, than strengthening income taxation, depending on the administrative capacities of each country. I conclude with comments on fiscal covenants and political incorporation, suggesting that along with the informal sector, in many Latin American countries it is the bourgeoisie that needs to be re-incorporated into a national project.

A word about data. I use the UNU-WIDER (2007) global dataset on inequality as well as global data on fiscal revenues derived from *World Development Indicators* and IMF publications (along with a few national sources). The first part of the paper addresses the same issues as does Gómez Sabaini (2005), but with different measures. Unfortunately, the richest datasets (those from *WDI* and the IMF) list figures for central government only. Although these fall somewhat short as measures of how tax policy in general affects society in general, data at the level of general government are scarcer, making comparison more difficult. Below I do compare regional average tax revenue proportions on each base (Table 2), but all the other

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global comparisons use central-government data. Where possible, I call attention mainly to changes rather than levels in order to reduce the confounding effect of cross-country variations in subnational revenues. Note also that in order to simplify the statistical analysis and adapt to the irregular temporal pattern of income distribution surveys, I have broken annual data into three periods: roughly from 1971 to 1980; between 1980 and 1995; and after 1995 (up to about 2005).<sup>2</sup>

The first section describes the context and nature of the tax reforms recently undertaken in the region. It is followed by a section that compares Latin America to global patterns of tax revenue and income distribution. The paper then considers how and to what extent tax reforms affected income inequality, reviewing recent studies of tax incidence and country-by-country patterns of reform and inequality. The next section considers the question of tax policy choice over the last generation, asking about its relation to authoritarianism, inequality, crises, and relations with international financial institutions. The paper then turns to current policy options as illustrated by a few recent reforms in the region, before touching on the connection between taxation and political incorporation.

## **Context and Nature of Recent Tax Reforms**

As of around 1965, most Latin American revenue systems were neither efficient nor progressive. They commonly included a museum of excises and stamp duties alongside more recently minted income taxes, as well as a complicated set of restrictions and tariffs on international trade. Individual and corporate income taxes, typically quite progressive on paper, proved much less so in practice. In some countries personal income taxes fell almost entirely on formal-sector employees subject to withholding, while the richest citizens found even more ways to evade their obligations as international economic links multiplied (Bird 1992; Zolt and Bird 2004: 31-35). On the corporate side, the largest firms (especially foreign-owned corporations) often paid disproportionately, as they combined a high profile with a relatively complete set of books. Tax authorities remained legally weak and often administratively divided according to the type of tax collected. The irregularity of enforcement too often gave the impression that to be taxed was to be unfairly singled out.

However, within this panorama several common policies did act as more or less progressive taxes or, less often, subsidies. Among the former, most common were penalty exchange rates on narrowly-held or foreign-owned traditional exports. Among the latter, there were highly subsidized prices for public utilities and in some countries, hydrocarbons.

From the late 1960's to the late 1990's, a remarkably similar set of tax reforms swept across Latin America. "Reform" came to mean simplification, in theory at least: it often brought a decline in rate progressivity for both corporate and individual income taxes, together with an elimination or reduction of special exemptions to these. But the most important substantive changes were the institution or expansion of the value-added tax (VAT), significant cuts in

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<sup>2</sup> I had to compromise between two competing goals--to put most of the Latin American tax reforms into the middle period, but to have first and last periods long enough to contain sufficient income distribution data so as to make "before and after" assessments meaningful.

trade tariffs, and the strengthening of tax administration (Bird 1992; Shome 1995; Mahon 2004). These traits matched global trends (Thirsk 1997; Keen and Simone 2004).

With these reforms, redistribution became a secondary goal of tax design rather than a primary one. Although reformers commonly compensated for gentler income-tax-rate graduation with more generous exemptions at the bottom, it is fair to say that as a whole, the reforms aimed more squarely at “horizontal equity” (across sectors or among households of comparable income) than at “vertical equity” (progressivity). This did not necessarily make fiscal policy as a whole less capable of redistributing. The idea was to raise more revenue (as a proportion of GDP) and spend it more intelligently on alleviating poverty (IDB 1998: 7). The enlarged revenue share, it was thought, could be borne more easily because the new taxes would be better administered and non-distortionary, part of a package designed to liberalize trade and bring robust economic growth.

## How Latin America Stands Out: Indirect Taxes and Inequality

**Taxes.** Today, compared to other regions of the world, Latin America stands out not only for its great reliance on indirect (consumption) taxation, but also for the fact that over the past generation this trait has come to mark the region even more strongly. Table 1 shows trends in average central-government tax revenue proportions for seven groups of countries across the globe.<sup>3</sup>

Table 1 here

Table 2 compares central-government proportions to those based on data for general government (including subnational governments), for two kinds of taxes: those on goods and services; and those on personal income.<sup>4</sup> As the table shows, tax type proportions look similar whether computed on a general-government or central-government base.

Table 2 here

Turning now to central-government figures, we can see Latin America’s distinctiveness more clearly in a graphical format. If we consider central governments’ degree of reliance on indirect and (all) direct tax revenues, Latin American countries appear as outliers when compared to historical OECD members as a group, but not when compared to the European ones. Figure 1 shows direct (horizontal axis) and indirect (vertical) tax revenue

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<sup>3</sup> For direct and indirect tax revenues they come from *World Development Indicators*, 2004 and 2007, and for personal income taxes from IMF, *Government Finance Statistics Yearbook*, various issues. Figures for direct tax revenues exclude those from state-owned resource companies. Apart from direct and indirect tax revenues, the denominator (total revenue) includes social security taxes, trade taxes, other taxes, fines, fees, rent, and income from state-owned properties.

<sup>4</sup> These are compiled from IMF *Government Finance Statistics*, either taken directly from the data for general government or, where these figures were absent, derived by summing figures for subnational (where available) and central governments. Note: temporal comparisons can be made only for figures in italics. For others, different countries constitute the average—for example, of the seven Latin American countries in the average personal income tax figure for pre-1980, only three are part of the average post-1995.

proportions for these OECD countries between 1995 and 2000 (and Japan for an earlier period), with the average of thirteen Latin American countries over the same period represented by a larger grey square. As we can see, these OECD countries form two clusters, with former British settler colonies marking out a territory where direct tax revenues dominate those from indirect taxes (see also Messere, deKam, and Heady 2003).<sup>5</sup> Latin America appears comfortably in the European OECD cluster, though toward its upper left edge.

However, we see things differently when we take revenues as a percentage of GDP and consider personal income taxes instead of the sum of all income taxes. The former makes a better measure of revenue-collection effort and the latter, of a kind of redistributive effort, because personal income taxes are more likely than corporate ones to have redistributive effect.<sup>6</sup> Now the Latin American anomaly becomes plain (Figure 2). Not only do Latin American governments collect less in personal income taxes, relative to economic size, than those of any world region or group, they also marginally reduced that collection over the past generation. As Gómez Sabaini observes, whereas the rich countries reduced rates while closing loopholes and expanding the income tax base, Latin America reduced rates while expanding loopholes and shrinking the base (2005: 87). The chart shows two estimates for the change in tax revenue proportions, one based on compared averages of all data and the other (dotted line) restricted to the six countries with data for all four observations. (Appendix 1 shows the same changes at the level of general government, but only for three countries with data in both periods.) They all tell the same story.

Figures 1 and 2 here

Let us again compare variation across the region to global variation, looking at key variables one by one while breaking out individual countries on the charts. Figures 3 and 4 show consolidated central government revenues for Latin America (15 countries) and the world (93 countries), as averages from all years from 1995 onward with usable data (usually up to about 2002). Globally, we see a moderately well-defined “Wagner’s Law” trend of higher revenue/GDP as per capita income rises. But in Figure 4 all but one of the Latin American countries (larger open squares) lie below the trend line. And for Latin America taken alone (Figure 3), Wagner’s Law does not apply: at least with these data, the correlation of revenue/GDP with per capita income is basically absent.

Figures 3 and 4 here

When we look at tax proportions we see a big difference between indirect and personal income taxes. We see the former in Figures 5 and 6, which plot central government revenue from indirect taxes against GDP for 15 Latin American countries and for a global set of 91

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<sup>5</sup> Note that IMF figures for Denmark which differ significantly from those given by the OECD. Part of the difference seems to be due to the treatment of social security contributions, which register about 2 percent of taxation for the OECD and about 4 percent of all revenue for the IMF, but most of it may be due to the exclusion of subnational governments in the IMF data. The “Anglo” pattern can be found also in South Africa and Zimbabwe. As shown in the figure, before 1991 Japan regularly obtained over 60 percent of total revenue from direct taxes and less than 20 percent from indirect ones. This also had an Anglo connection, in the reforms under the Occupation after the Shoup Mission (Kaizuka 1992).

<sup>66</sup> On the latter point, see Bird 2003, citing Harberger 1962 and 1985.

countries. This time, Latin American countries show more dispersion across the world trend line, although it bears noting that nine of the fifteen lie below it. Again, across the region indirect tax revenue/GDP and per capita GDP show no real trend—if any, a weak negative one (strongly influenced by Nicaragua, upper left)—while the world as a whole shows a visible but fairly weak positive trend line (here Tunisia is the greatest positive and USA the greatest negative outlier).

Figures 5 and 6 here

We see a very different picture with personal income taxes. In Figures 7 and 8, Latin American idiosyncrasy is on full display, with all countries well below the global norm.<sup>7</sup> This time the regional dispersion has a similar upward trend to the global one, although it is less well defined.<sup>8</sup> Yet its linear trend slope (1.52) is only one-third that of the global line (4.56), suggesting that if the region followed current trends as it got richer, it would deviate even further from the norm. The message is this: relative to income or in absolute terms, Latin America's aversion to personal income taxation is dramatic, regionally consistent, and (absent major efforts) likely to continue.

Figures 7 and 8 here

**Inequality.** Now, this message ought to sound even more significant when juxtaposed with the fact that Latin American societies are also among the most unequal in the world. Widely circulated estimates compiled by Deininger and Squire (1996: 584-85) place the region at the top of the world in average inequality from the 1960's to the 1990's. However, this comparison is not fully confirmed by a careful parsing of UNU-WIDER data, looking only at similar survey parameters and quality levels across regions (Table 3).

Table 3 here

Still, by some measures Latin American regional inequality rose in the 1990's, just as Latin America completed its round of "neoliberal" tax reforms. Figure 9 shows the simple average of tax revenue proportions along with the results of two bundles of income distribution surveys compiled by ECLAC (2007), the first from 1989-91 and the second from 2001-03, for thirteen countries. A clear rise in the ratio of fifth-quintile (rich) to first-quintile incomes coincides with a substantial increase in the proportion of revenue from indirect taxation.

Figure 9 here

Given all this, it is natural to suspect a link between indirect taxation and inequality (cf. Fairfield 2007, note 2). And it is also worth asking why, in a region that was so unequal to start with, so many governments opted for tax reforms that, at the very least, gave redistribution secondary importance. Let us consider these questions in turn.

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<sup>7</sup> Here, for want of data after 1994 I have instead used 1980-94 averages for four countries—Chile, Guatemala, Mexico, and Paraguay.

<sup>8</sup> This supports the observation of Barreix, Roca, and Villela note (2007: 62), that higher-income countries in the region gather somewhat more in such taxes than poorer ones.

## Did Neoliberal Tax Reforms Worsen Inequality?

The critique of “neoliberal” tax reforms in Latin America alleges that new indirect taxes, falling broadly on consumption, have contributed to worsened inequality in the region. As noted above, it is a reasonable hunch. When we look more closely, what do we see?

**“Micro” evidence.** Recent studies of tax incidence provide some evidence for a link. They generally show that (graduated) income taxes have a progressive effect and value-added taxes a regressive effect (for a general overview, see Morley 2001). However, the estimated magnitudes tend to be small, VAT exemptions matter, and all authors regard the conclusions as tentative (a summary is Chu, Davoodi, and Gupta 2000). Gemmell and Morrissey, looking at data mostly from African countries, argue that “general conclusions with respect to particular taxes are quite hard to find—progressivity or regressivity conclusions are often country-specific” (2003: 26). However, they do suggest that the VAT can be more progressive than import taxes or many excises and that it will be more progressive (or less regressive) if it exempts necessities (19-26).<sup>9</sup> Zolt and Bird also emphasize the shortcomings of tax incidence studies: “the available evidence on tax incidence in developing countries is neither conclusive nor persuasive” (2005: 18).

Recent work in Latin American countries supports the conclusion that recent tax reforms have made the region slightly more unequal. Looking at Chile, Engel, Galetovic and Raddatz 1997 conclude that even radical changes in the tax code or heroic assumptions about tax compliance—such as a complete end to evasion of the income tax, a major hike in the VAT rate, or the institution of a flat income tax—would have very small effects on income distribution (18-22). The authors also show that under plausible assumptions, the total revenue from a tax has a bigger impact on redistribution than does its progressivity—and that this margin rises as a country’s income distribution is more unequal (23-28).

Studies of other countries concur. Looking at seven countries Lora finds income taxes to be progressive, while in five of seven, the VAT is regressive (2007: Table 6.8, 204). His estimated effects on after-tax income distribution (the Reynolds-Smolensky measure, which does not use a computable general-equilibrium framework) were very small.<sup>10</sup> Using a somewhat cruder measure, Barreix, Roca and Villela 2007 find the VAT to be regressive in Bolivia, Colombia, and Peru (the last based also on data from Haughton 2005), but progressive in Ecuador and Venezuela (2007: 19-21). They find the tax system as a whole to be regressive in Bolivia and Peru and neutral in Colombia; they also calculate the effects to

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<sup>9</sup> Gómez Sabaini notes that their conclusions about direct taxation may be unduly pessimistic about personal income taxes because of the predominance of corporate taxation in the total of direct taxes in developing countries (2005: 100).

<sup>10</sup> Income taxes dropped Gini coefficients by an estimated range from 0.00001 (Guatemala in 1993: Bahl, Martínez-Vásquez, and Wallace 1996) to .00197 (Peru in 2000: Haughton 2005). Value-added taxes changed the Gini slightly in a negative (progressive) direction in Colombia and Guatemala, while the largest estimate of regressive effect (0.00088) derived also from Haughton 2005 on Peru (Lora 2007: 204). Lora 2007 and Gemmell and Morrissey (2003: 17) describe a bias in such estimates of incidence from the VAT because they measure it with respect to income rather than expenditures, which (since the rich earn more than they spend) makes the tax impact look more regressive. For our purposes the point is moot because we are interested in the income effect and in comparing the incidence to that of income taxes.

be an order of magnitude greater than does Lora (58). Similar estimates come from the compilation of Gómez Sabaini (2005), who also reports a particularly high regressive effect (a 35.7% increase in the Gini coefficient) for Nicaragua's heavily consumption-based tax regime (101). Finally, Goñi, López, and Servén find a regressive effect of indirect taxes in Brazil, Chile, Colombia and Peru (and little effect in Argentina and Mexico), but only in Peru did indirect and direct taxes together increase inequality (2008: 7-8).

**Circumstantial “macro” evidence.** Do we see a correspondence between tax reform and rising inequality in country-level data? Here we have to be very careful, because survey methodologies vary greatly even for the same country, and the quality of surveys in most developing countries has until recently been poor. Using the new income distribution measures from the UNU-WIDER World Income Inequality Database (updated May 2007), we face an important tradeoff between sample size, on the one side, and sample quality and comparability on the other. With this caveat in mind, the first thing we can say is that our regional comparison needs to be revised somewhat from the picture derived from Deininger and Squire, noted above. According to the data presented in Table 2, it is Africa, not Latin America, which leads the world in average inequality, though this is based on relatively few surveys. In addition, it appears that inequality in Latin America rose only modestly after 1994. However, one point in favor of the connection between tax reform and inequality is that the only group to have relied more on indirect taxation in the period after 1994 (ex-Communist countries) also saw the largest jump in inequality (at least where the groups were represented by more than one survey each).

Assessing country-level patterns requires the judicious use of heterogeneous income-distribution surveys. The Appendix contains charts showing Gini coefficients derived from various income distribution surveys alongside tax reform indices, for fifteen Latin American countries. The indices are represented as thick lines, solid or dashed, with no markers. The surveys show up differently depending on their parameters: markers are larger for higher-quality surveys (no lowest-quality results appear); subnational sampling frames have dashed lines; different definitions of income or consumption bear open or filled markers of various shapes (household consumption has unshaded “X” markers, for example—see the end of the Appendix for details). Estimates from differing survey parameters are not joined, but their differences can be assessed visually where they coincide in time. By these estimation criteria, three countries (El Salvador, Guatemala, and Mexico) saw falling Gini coefficients, two (Peru and Ecuador) had little change, and the other ten countries saw rising inequality over the period from c. 1970 to c. 2005 (see the table near end of Appendix).

From the charts we get the sense of a weak correspondence between tax reform and greater inequality. In some cases, where surveys of the same kind (continuous series with a line between markers) overlap or closely lag substantial changes in a tax reform index, we can assess the degree of influence directly from the chart. If we ignore the imprecision that particularly marks the early Gini estimates, we can also generate a crude regression across countries, between estimates of changes in the Gini and tax reform indices. As Figure 10 tells us, this does show a positive trend, indicating that more tax reform corresponded to increasing inequality. But there are huge uncertainties here: the reader could substitute arbitrarily large error bars for the data markers that shrink with declining survey quality. And of course, even apart from measurement error, we must remember that these are all simple bivariate relationships, when we know for a fact that in many of these countries lots of major

changes came at the same time as tax reform—trade liberalization, privatization with layoffs of public employees, devaluation—and might have had much larger effects on income distribution.

Figure 10 here

All in all, these “micro” and “macro” results suggest that the tax reforms caused (*ceteris paribus*) some distributional deterioration. The effect of reform was probably small. Perhaps this is because tax changes tend to be far less important to redistribution than are spending changes, a point I will revisit later on.

### **Why So Much Reliance on Indirect Taxation?**

Let us now turn to the second question asked above. Having embraced globalization and cut taxes on trade, Latin American governments could have chosen to make up for lost income by leaning harder on either direct (on income, profits, or property) or indirect (on goods and services) taxation. Why did they decisively choose the latter, given that they were already doing so to an unusual extent? Moreover, across much of the region primary (pre-tax) income distribution was becoming more unequal, due to de-industrialization and the renewed embrace of commodity export (Barreix, Roca, and Villela, 2007: 6). Why then should so many governments have enacted policies that probably made it worse?

Influential models of fiscal politics say they should have done the opposite. Alesina and Rodrik (1994), using a median-voter model, posit that as inequality rises, voters prefer higher taxes and more government-enacted redistribution. As more people are left behind, the argument goes, they form a majority that imposes progressive taxes. But Agosin *et al.* (2005) suggest an opposite effect: more egalitarian countries have more influential middle income sectors, and these demand public services via the state, driving expenditures and taxes up.<sup>11</sup>

But maybe the problem is not the middle class. After all, this is a region whose inequality arises mainly from the extraordinary incomes of its richest 5 to 10 percent of households (De Ferranti *et al.* 2004: 2-3). Richard Bird suggests that Latin American countries do not have more egalitarian tax systems than they do because the politically relevant population is small and rich, and it likes things the way they are (2003: 2, 13, 42-43). Yet this speaks to historically stable patterns and not to the nature of reforms. To explain change, we would have to adopt something like Krugman’s argument about the direction of policy in the USA under Republican administrations, which deliberately weakened equality-promoting institutions (including progressive features of the tax code) even after primary income had become more unequally distributed (2006). That is, it implies that the median voter changed her opinion, or that the “politically relevant population” became restricted to the upper income brackets.

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<sup>11</sup> They find good support for this relationship in regressions over a 95-country dataset (81, 93-94). However, given that they use simple cross-national WDI figures, the results might be affected by the high number of Latin American countries, with low tax/GDP ratios and high Ginis, in the middle-income range. The Gini here is also apparently post-fiscal policy.

Do we see evidence of these in the making of Latin American tax policy? Yes, to some to degree, but not necessarily for perverse reasons. As I noted in a previous article (2004), moments of reform in the 1977-95 period tended to follow periods of high inflation, take place under newly seated governments, and involve negotiations with (and advice from) the IMF, often with tax reform as an explicit performance condition (18-23). I also found that these governments were not more likely to be authoritarian than were non-reformers.

One drawback of that earlier study is that its coverage begins after the VAT had been initiated across most of the region. Were VATs more likely to be adopted by undemocratic regimes before then? If we knew only that the first VAT in Latin America appeared in Brazil in 1967, it would be easy to conclude that the turn toward modern indirect taxation corresponded with exclusionary, technocratic, and anti-popular policymaking in its most unequal countries. The significant reform in Chile during 1975 would reinforce the impression (Berry 1998).

Table 4 here

But the broader picture looks more complicated. As we can see in Table 4, a variety of regimes implemented the VAT. We can discern “neighborhood effects” in its adoption—reforms often quickly followed others in adjacent countries—and a few periods in which reforms were more common than in others. As for regime type, in just over half the reform moments listed in the table, the governments instituting the VAT were less democratic and less liberal than the region as a whole in that year—but before 1977, more reformers exceeded the regional democracy norm than did not. The table supports the idea that the pre-1977 pattern does not diverge significantly from that described for 1977-95, at least on one point: we find no reason here to associate VATs with undemocratic regimes.

Do we see any evidence of an elective affinity between greater inequality and neoliberal tax reform? Again, no. Figure 11 shows a scatterplot of initial Gini coefficients (estimated from the country charts in the Appendix, derived from UNU-WIDER data) against the dates of VAT implementation. It shows no relationship. Figure 12 plots the same initial Ginis against the average of a tax reform index combining the two shown in the country charts (Morley, Machado, and Pettinato’s to 1995 and Lora’s from 1996 to 2003). Again we find little relationship—along with a predicted coefficient close to zero.

Figures 11 and 12 here

However, like the reforms after 1977, several circumstances surrounding VAT initiation before that time did tend to limit popular participation. First, conditions often favored government autonomy. In many cases (Brazil and Uruguay 1968, Bolivia 1973, every country in 1975) reforms came during periods of inflation that had accelerated well beyond recent norms in the country (even though rates were much higher in some countries than in others). This created a climate of crisis that facilitated autonomous action, especially by new administrations (Colombia, Uruguay, Costa Rica, and Peru). Also, we should not ascribe their emphasis on inflation-fighting to elite manipulation: especially for the unorganized and informal, inflation was an insidious and regressive tax. Popular support for inflation-fighting probably enhanced presidents' ability to pursue the technocratic enterprise of reform.

Second, where governments also faced foreign payments crises—as many did after the oil shocks of 1973-74—they ended up in the arms of the IMF. In fact, of the twelve countries that adopted a VAT before 1978 (Table 3), seven were under IMF stand-by agreements at the time of adoption and one (Argentina) was borrowing under the Compensatory Financing Facility. In addition, the other four (Nicaragua, Honduras, Costa Rica, and Peru) were about to borrow under the Oil Facility, and the last two of these soon also signed stand-by's (IMF, *Annual Report*, various issues). Many of these were also in close contact with World Bank officials. When governments came to Washington with problems deriving from fiscal deficits, the IMF's remedy of choice was the VAT, both for its revenue potential and for its efficiency.

Third, the incomes and assets of the rich were becoming even harder to tax. This was especially important to the reforms undertaken after 1980 or so, as capital flight put assets of the wealthy out of reach (Tanzi 2003: 330, 344). As globally connected financial advisors found Latin clients, transaction costs for the hiding of income and the international transfer of wealth fell and stayed low. Perhaps debt-loaded governments (or their IMF advisors) were more impressed by this than should have been. As Gómez Sabaini observes, fears of lost investment and capital flight made Latin American governments reluctant to modernize their income tax systems up to developed-country standards, despite the recommendations of the OECD (2005: 111-12). Fairfield describes vividly the political difficulties of the Argentine authorities in imposing a tax on interest income (2007). But maybe they were right to be cautious: in recent experience in Latin America, private overseas assets can represent a substantial portion of investment capital. Governments committed to a neoliberal economic model worried about growth. They wanted not only to avoid scaring capital away, but also (and this was especially important in the 1990's) to lure it back. Thus, the same top-heavy pattern of inequality that makes redistribution a vital issue in Latin America also made treating capital with kid gloves a defensible choice on pragmatic grounds. It might also be true that in highly unequal societies, capital mobility helps preserve democracy, however depleted in content it becomes (Mahon 1996: 181; Boix 2003: 38-43).

Finally, there was the promise of additional spending. Reformers argued that a regressive tax system would not pose a problem for income distribution if its revenues were ample and progressively spent. Of course they were right. Barreix, Roca, and Villela show (based on OECD figures) that Sweden, Denmark, and (just barely) Finland have regressive tax systems—but once spending is considered, they are all highly redistributive, just like the rest of Europe (2007: 55-60; see also López and Perry 2008: 18).

But Latin American countries, like most developing countries, have done poorly at spending progressively. Zolt and Bird (2005) cite Chu, *et al.* (2000) to the effect that “before the effects of redistributive tax and transfer programs are taken into account, income inequality is actually lower on average in developing countries than in the developed countries” (2005: 12). In fact, the 2000 study refers to a sample of thirty developing *and transition* countries from Deininger and Squire 1996. The latter make up more than half the sample and uniformly show much more equal income distribution, a legacy of Communist rule. However, the authors’ narrower point is more defensible and important: while developed countries have used fiscal transfers effectively to reduce inequality, developing countries largely have not (Zolt and Bird 2005: 12). Barreix, Roca, and Vilella do estimate that in Bolivia, Colombia, and Peru, taxes and expenditures together reduce Gini coefficients by 0.03 to 0.05 (2007: 58). But in Lora’s judgment, Chile is the only developing country to orient major social spending effectively toward redistribution (2007: 205).

At least since 1990, the problem is not that expenditure has declined. In Latin America, social spending has risen from 9.3 percent of GDP in 1990 to 12.2 percent in 2003 and above this by 2007 (*ibid.*; UN ECLAC 2007). But the spending is still often poorly targeted, with large payments for tertiary education and especially, public-sector pensions enjoyed by the relatively wealthy (Heady 2004: 140-41; Zolt and Bird 2005: 48; Goñi, López, and Servén 2008: 18-21). Only in the last decade have we seen the spread of effective conditional cash transfer programs, for example.

As this implies, it was a mistake to assume away political constraints on the spending side when designing tax policy. Sometimes, poor targeting resulted from the universalistic approach (say, with tertiary education) crucial to the political viability of a program. In other cases it stemmed from the resistance of urban middle sectors, especially public employees. The irony is that neoliberal tax reformers and international advisers invoked a similar realism about political-economic and administrative limitations when they argued for a less redistributive tax code—with the promise that greater revenues would make additional redistribution possible via spending.<sup>12</sup>

Let me sum up. Regional comparisons suggest that Latin American governments have historically relied on indirect taxation to an unusual degree, and that they deepened this reliance (outdone here only by transition countries) in the most recent wave of reforms. Even if we take as a given their embrace of trade liberalization, these governments could have replaced lost tariff revenue with higher income taxes. But they did not, for a variety of reasons. Crises fortified their technocrats and brought them to the IMF; the Fund had a ready-made remedy for fiscal insufficiency; the dominant intellectual currents validated it; and reformers (not disingenuously) promised more spending. And especially after 1980 or so, liberalized international finance opened new opportunities for capital flight and tax evasion by elites.

It is on this last point that we see the most significant influence of Latin American inequality, especially in the aversion to personal income taxes on the richest. But many other forces—

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<sup>12</sup> Moreover, outside of Latin America, tax revenues after recent reforms usually declined (Keen and Simone 2004: Table A2, 340-41).

administrative limitations, the pressing need for revenue, intellectual currents, and prodding from multilateral banks--drove the adoption and expansion of the VAT.

## Where to Go from Here?

As Latin American governments now seek to raise revenues and reduce inequality, what reforms are desirable and feasible? I'd first like to describe three general ways of responding to these challenges before giving a few additional reasons why obtaining more revenue ought to be top priority for most countries. The three ways are: extending and deepening the reforms from the neoliberal package (VAT, base-broadening, simplification, and better administration); backsliding from neoliberalism, for pragmatic or political reasons, in adopting taxes that are neither neoliberal nor effectively redistributive; adding new taxes or efforts to tax with clear redistributive intent. Looking across the variety of recent tax reforms, we can see cases that exemplify each of these to some degree, though all recent reforms appear to have at least a bit of each.

**Extending neoliberal reforms.** Here we might include administrative reforms aimed at evasion or at reducing the cost of taxation,<sup>13</sup> the abolition of special exemptions or promotions, or (most common in recent years) efforts to include more kinds of activity under the VAT. Sometimes the last is an explicit attempt to add back parts of an original reform that were subtracted because of political opposition. Important examples of extension in recent years are reforms in Panama (2002, 2005), Colombia (2006) and the Dominican Republic (2006). In this category we might also place the long-proposed VAT simplification reform in Brazil, which by now can be seen as reversing the pragmatic but distorsionary adjustments of the past two decades (cf. Warneck 2000).

By definition, the most important reforms of this kind aim at the informal sector. It has been argued that since agents in the informal sector are more likely to pay VAT on their inputs than they are to charge it on their sales, they are good candidates for inclusion in the tax, if tax administration is capable enough (cf. Bird 2003: 28; Bird 2008: 13). However, Bird and Gendron (2007: 77-80) caution against pushing this too hard because of the risk of discouraging formality. (We would also have to consider the effect on these agents as consumers of informal-sector goods.) Most such taxes involve some kind of presumptive assessment. The Peruvian tax reforms of 1991-92 tried to do this but retreated in the face of a strike by market vendors (Arce 2006). One provision in the 2007 Mexican reform, the tax on large bank balances, had this intention also.

**Reversing neoliberal reform without effective redistribution.** Here is perhaps the most common kind of tax reform (along with VAT rate hikes). As just noted, Brazil has been a good example, though it has not totally failed at redistribution because its reforms did succeed in increasing revenue and the tax system as a whole appears to be slightly progressive. Other measures include financial transactions taxes; new exemptions, VAT zero ratings, or tax-free zones; and new (cascading) sales taxes on specific items. The rise in corporate tax rates in the 2007 Mexican package also fits here. It shows that there is room

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<sup>13</sup> Lora estimates that Colombia, Guatemala, and Mexico are particularly high (2007, Table 6.9: 206).

to raise corporate taxes in some countries without suffering political damage—but especially in Mexico, it is unclear if this will have a progressive incidence.

**New moves toward systematic progressiveness.** Under this rubric we might put the new excises on luxury items (e.g., the Impuesto a los Consumos Especiales, 2008 in Ecuador); property taxes, especially on unimproved land; and most important of all, new personal income taxes. A good example of the last has been the 2007 reform in Uruguay, re-imposing that tax for the first time since its abolition in 1973.<sup>14</sup> The Ecuadorian government’s proposal for steeper income-tax graduation belongs here also.

For those who advocate higher personal income taxes, the Uruguayan case illustrates a hopeful point. Significant improvements in administration accompanying the VAT and other recent reforms can be turned toward redistribution. In particular, as Keen and Simone note, “adoption of the VAT is often intended to spearhead a fundamental change in how taxes are collected, in particular by introducing methods of self-assessment—that is, self-declaration of liability by the taxpayer supplemented by risk-based audits—that can then be applied to other taxes” (2004: 319). The Uruguayan tax authorities are much more capable than they were in 1973—indeed, the same could be said of every country in the region.

**Why revenue matters.** Obviously, if there is more to spend, more can be redistributed. Even higher indirect taxes might be tolerable, provided governments spend the revenue well. Sweden shows that a country can have a highly regressive tax system but a highly progressive fiscal system (Barrera, Roca, and Villela 2007: Tables 32 and 34). As noted above (Figures 2 and 3), Latin America already has Swedish levels of indirect and personal income taxes as proportions of total revenues, even though its average revenue/GDP figure is much lower than Sweden’s. The similarity is especially strong after 2001, when more of Sweden’s tax burden shifted to corporate and indirect taxes. If Engel *et al.* are right, Latin America is better suited than are less unequal areas for tax systems that maximize revenue rather than progressivity.

It is also relevant to note that common alternatives to additional revenue in Latin America—inflation and borrowing—are as bad or maybe worse in distributional terms than are indirect taxes. On inflation, a variety of studies have concluded that especially in developing countries, it hurts the poor more than the rich (but see López and Perry 2008: 6-8). Easterly and Fischer (2001) find that the subjective concerns of poor respondents with inflation correspond well with econometric results showing a significant negative relationship between inflation and various measures of poor people’s income.<sup>15</sup> As for borrowing, if we consider the net distributional implication of future interest payments out of future taxation, the result is also likely to be negative. For internationally held debt, the distributional issue has historically been less salient than debtor-creditor relations buffeted by cycles of boom and default. But as more Latin American countries’ debt is held domestically and issued in domestic currency—both of which appear to have increased lately (Cowan *et al.* 2006)—the

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<sup>14</sup> Employer-withheld contributions to duties during that lapse have been counted as personal income tax in international compilations of Uruguayan taxes) (Tuneu and Ghislandi 2006).

<sup>15</sup> Recent studies also include Bulir (2001), which found most of the distributional gains in disinflation to come from reducing hyperinflation, with only meager gains from further reductions in price rises.

impact of regressive tax-to-interest transfers might begin to register in national income distribution.<sup>16</sup>

## **Final Thoughts: Fiscal Covenants and Political Incorporation**

A recent UN-ECLAC book urges Latin Americans to consider the public funding of social protection as a kind of social contract, to be drawn up and affirmed by key societal representatives at meetings convened by national governments (2006b: 31-32, 35-42). Its key pillar would be a “fiscal covenant,” which would begin with an acknowledgement of governments’ right to collect taxes and an agreement on the level of taxation appropriate to the country’s social needs and economic capacity. The process would also set up mechanisms of oversight and accountability in the use of the funds (40).<sup>17</sup> With respect to taxpayers, the authors hope to deepen their appreciation of the benefits all could expect from higher government spending, in the form of higher productivity, stronger institutions, enhanced social capital, and reduced crime (31).

This is an idea with deep roots. It recalls the exchange of revenue for institutional accountability and representation at the heart of Britain’s “Glorious Revolution,” lately turned into the empirical claim “no representation without taxation” in comparative politics (for example, Levi 1988; Moore 2004; Friedman 2006; on Latin America, see Bird 2008: 19-20). It seems to offer taxpayers less (or less in the form of institutions) than the British Crown offered the Whigs in 1688, but the form is the same. It also resembles the idea of political incorporation, whereby political actors win the organized support of societal actors such as unions in exchange for legal recognition, economic benefits, and symbolic inclusion into the national polity (Collier and Collier 1991). The ECLAC proposal posits a society-wide bargain rather than a sectoral one, and its main beneficiaries (i.e., the informal sector) are generally not comprehensively organized. But the incentives for politicians—expanded support in exchange for tax-funded social protection—look similar.

But it cannot succeed on these terms with the proposed contributors on one side of a table and the proposed beneficiaries on the other. It has to involve “an acknowledgement that everyone must pay taxes and respect the rights of others” (31). Otherwise capital will flee or stay away. With reference to the informal sector, inclusion into the country’s social security system (as recently begun in Uruguay) might be possible (even at minimal benefit levels) only in the richest Latin American countries. That is, incorporation on these terms is least feasible where it is most needed. In many of the poorest countries, the informal sector makes up over half of the economically active population while public administration is weak. There, a basic insurance benefit might be possible only in return for payment of a simplified minimum or presumptive tax.

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<sup>16</sup> This brings us back to an old suggestion of Abba Lerner (1948) under the assumption of fully domestic public debt, as well as to Gregory Mankiw’s more recent “Savers-Spenders Theory of Fiscal Policy” (2000: 123).

<sup>17</sup> Such a process actually took place in Guatemala in the spring of 2000. The tax reforms that resulted have fallen short of the goals set in the pact (Hernández Pico 2000).

In a larger sense, the mere fact of this ambitious proposal—for a kind of fiscal re-founding of Latin American states—suggests something more profound at work. The Latin American conjunction noted above, between inequality and extremely low revenues from personal income taxes, seems to have had both old and new origins. The old ones go back at least as far as the widespread post-Independence failures at direct taxation of elites (Bushnell 1954: 108; Centeno 2002: 118-26). As Hernández puts it, “taxes were seen as emblematic of state exploitation and tyranny and ‘political freedom’ meant beating them back to a minimum” (2000: 2). The second, new origins relate not only to the new opportunities for capital mobility afforded by financial globalization, but also, I believe, to the sense that with the failure of the import-substituting industrialization model and the rise of privatized benefits (including security), the elite now needs the state much less. In effect, the national bourgeoisie has become disincorporated, thus joining the never-incorporated fractions of the upper classes in an adversarial relationship with the tax authorities.<sup>18</sup>

This is why covenants make sense, and why political rules and culture matter. Public covenants offer an alternative to clientelistic “incorporation” via crony capitalism behind a neoliberal screen, instantiating a moment of public accountability instead of private favors. Fiscal goals require tax compliance, and compliance depends on the expectation that everyone pays. In turn, it is this certainty of tax obligation which motivates big taxpayers to demand accountability. And in order to have the greatest chances of success, all this should take place within a clearly articulated national project and the mass-mediated affirmation of political responsiveness.

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<sup>18</sup> This might be why the tax systems that are regarded as more successful can be found in places where the ISI project was never fully disassembled (Brazil) or where a neoliberal re-founding was most complete, extending to the state itself (Chile).

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## Figures and Tables (in the order they appear in the text)

**Table 1. Tax revenues as proportions of total central government revenues, averages pre-1980 and 1995-2006 and temporal changes, by group or region**

Group or Region	1971-1980 averages (N)			1995-2006 averages (N)			Average percentage-pt change between periods (N)		
	Indrct taxes	Direct taxes	Persnl incm taxes	Indrct taxes	Direct taxes	Persnl incm taxes	Indrct taxes	Direct taxes	Persnl incm taxes
OECD Europe	29.7 (17)	25.7 (17)	19.7 (16)	31.4 (17)	27.2 (17)	19.7 (16)	1.76 (17)	1.51 (17)	- 0.03 (16)
OECD fmr Anglo colonies, Japan	16.6 (5)	61.0 (5)	41.7 (5)	17.6 (4)	58.2 (4)	43.9 (4)	2.32 (4)	- 0.97 (4)	- 1.24 (4)
Latin America and Carib	27.6 (16)	18.9 (16)	7.4 (15)	36.2 (17)	18.3 (17)	4.7 (12)	8.82 (15)	0.71 (15)	- 1.62 (11)
Sub-Saharan Africa	20.07 (25)	22.6 (25)	8.6 (24)	26.3 (26)	23.4 (26)	12.2 (24)	6.33 (25)	0.38 (25)	2.99 (23)
Comnst countries as of 1980	----	----	----	39.4 (11)	15.0 (11)	8.2 (10)	----	----	----
South and East Asia and Indies	28.4 (15)	21.9 (15)	11.3 (13)	31.1 (15)	24.9 (15)	11.9 (14)	2.69 (15)	2.97 (15)	0.09 (13)
Middle East and North Africa	19.0 (9)	18.1 (9)	8.9 (10)	22.9 (12)	19.6 (12)	10.4 (11)	8.25 (9)	4.17 (9)	2.14 (10)

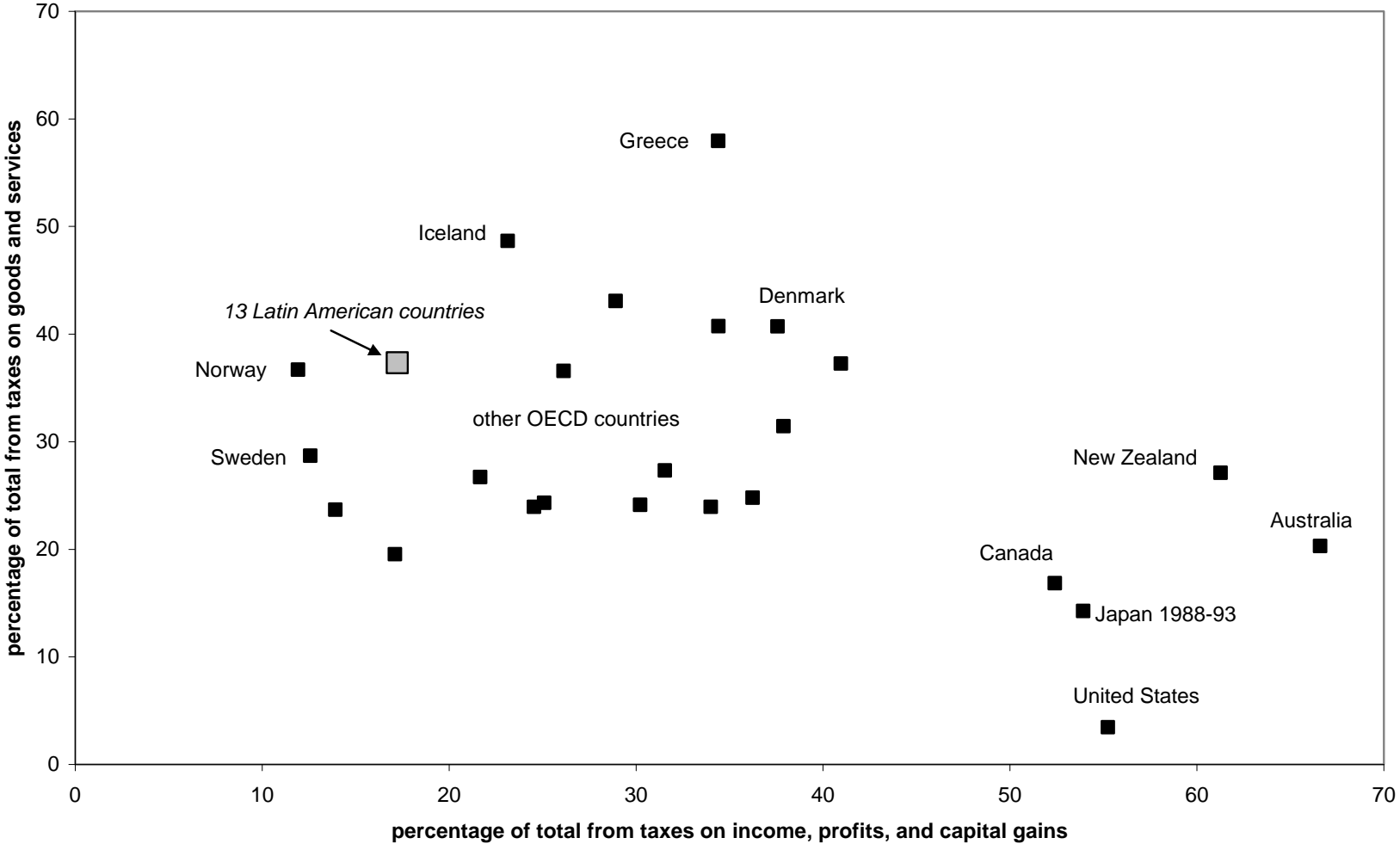
*Note:* The figures for point changes in the third section of the table may differ from the differences between corresponding figures in the first two sections. They exclude countries lacking data for one of the time periods.  
*Sources:* WB, *WDI* 2004, 2007; IMF, *GFS Yearbook* and country reports; national data; author's corrections.

**Table 2. Regional Averages of Same-Country Central Government (white) and General Government (gray) Figures (sample sizes in parentheses)**

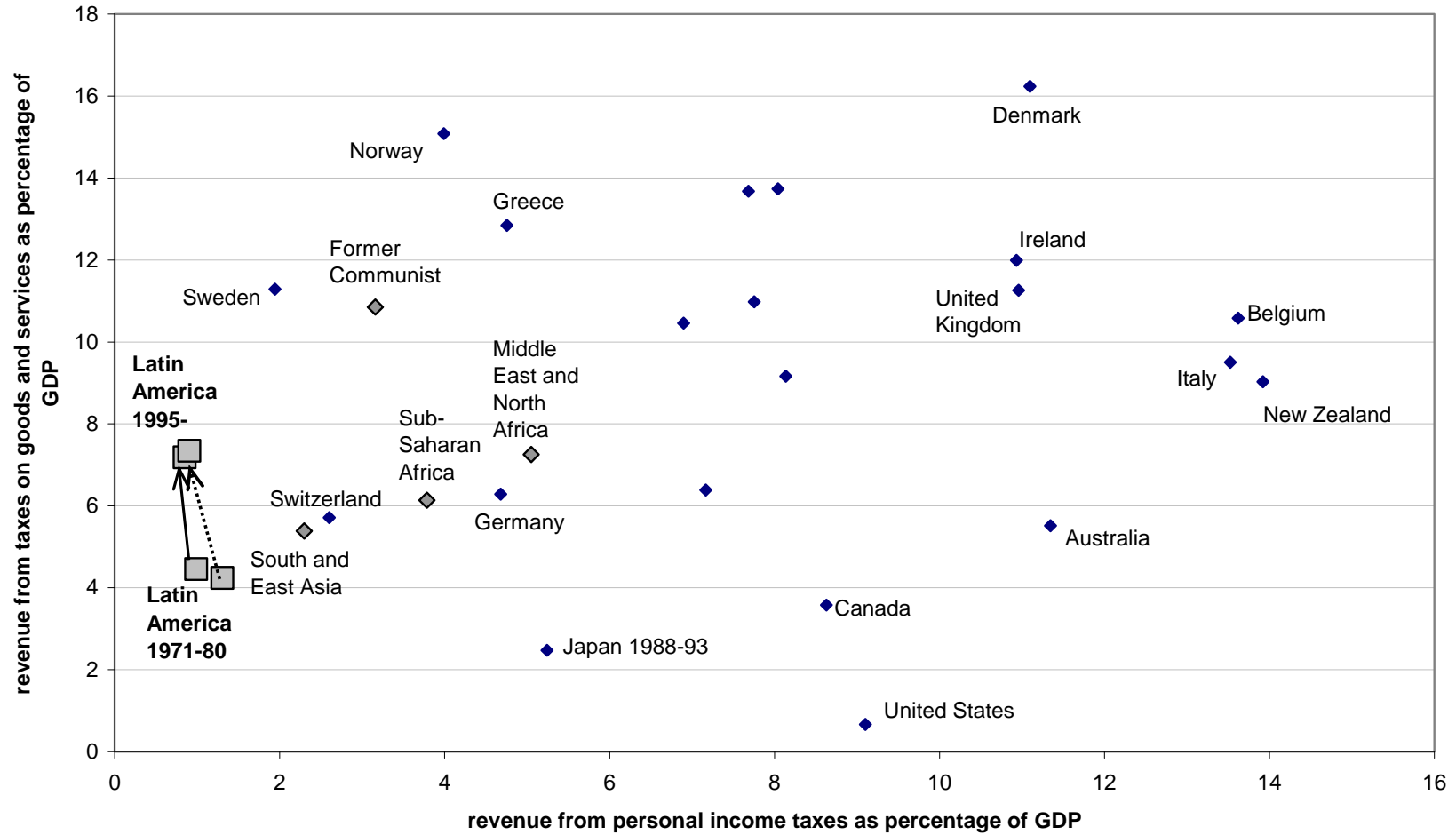
Region	PYT pd 1	PYTgg pd 1	PYT pd 3	PYTgg pd 3	TGS pd 1	TGSgg pd 1	TGS pd 3	TGSgg pd 3
OECD Europe	6.47 (14)	9.13 (14)	7.52 (15)	9.74 (15)	8.67 (15)	9.17 (15)	10.96 (16)	11.43 (16)
OECD ex-Anglo, Irl, Jpn	<i>9.90</i> (5)	<i>10.28</i> (5)	<i>10.79</i> (5)	<i>11.47</i> (5)	<i>4.66</i> (5)	<i>5.40</i> (5)	<i>6.15</i> (5)	<i>7.54</i> (5)
Latin Am	<b>1.76</b> <b>(7)</b>	<b>1.68</b> <b>(7)</b>	<b>0.70</b> <b>(7)</b>	<b>0.90</b> <b>(7)</b>	<b>4.17</b> <b>(8)</b>	<b>4.59</b> <b>(8)</b>	<b>7.19</b> <b>(10)</b>	<b>7.86</b> <b>(10)</b>
Africa	3.26 (9)	2.75 (9)	4.43 (5)	4.63 (5)	4.19 (10)	4.54 (10)	7.18 (8)	4.79 (8)
Ex-Communist	-	-	3.16 (9)	4.89 (9)	-	-	11.45 (10)	12.52 (10)
South + East Asia	2.99 (7)	2.48 (7)	2.01 (3)	1.84 (3)	4.14 (8)	5.03 (8)	6.65 (5)	7.33 (5)
MidEast N Africa	1.78 (2)	1.18 (2)	6.60 (3)	5.65 (3)	8.87 (3)	9.82 (3)	8.88 (4)	9.68 (4)

*Notes:* PYT = personal income tax; TGS = taxes on goods and services; period 1 = average from 1971 to 1980; period 3 = from 1995 to end of data (usually around 2002). In order to maximize sample sizes, averages comprise all observations with data for a time period and a given type of tax across both central and general government figures. Comparisons across periods can be made only where the same countries make up the average in both periods (*in italics*).

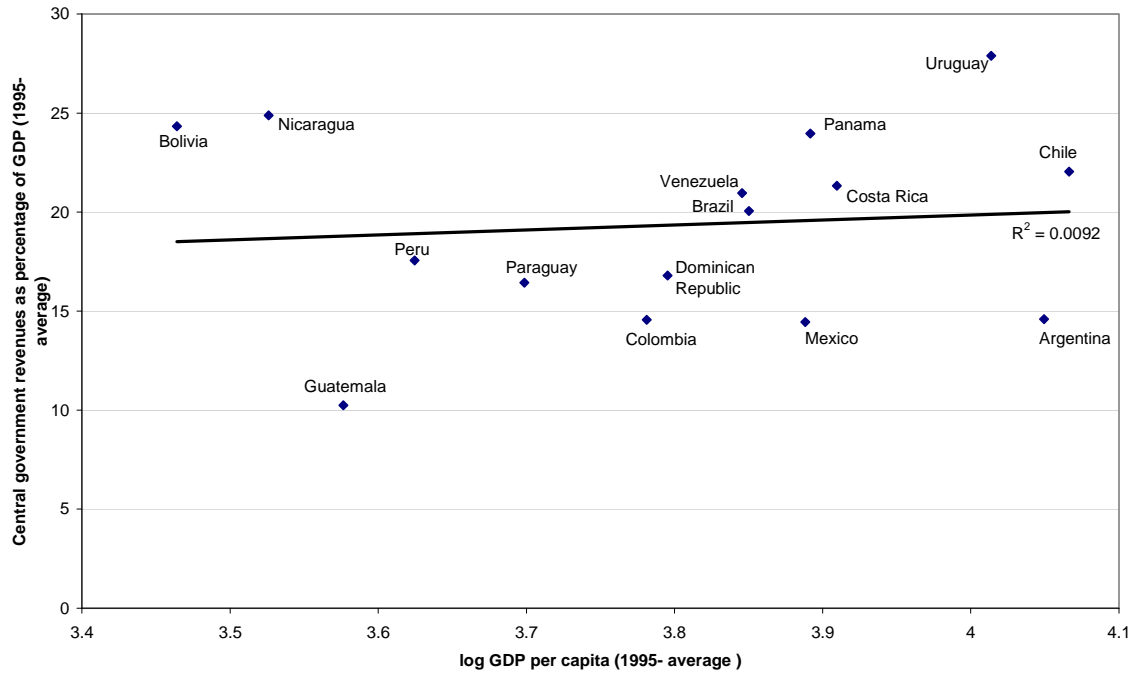
**Figure 1. Direct and indirect taxation in total revenue, OECD countries, compared to average of thirteen Latin American countries, 1995-2000**



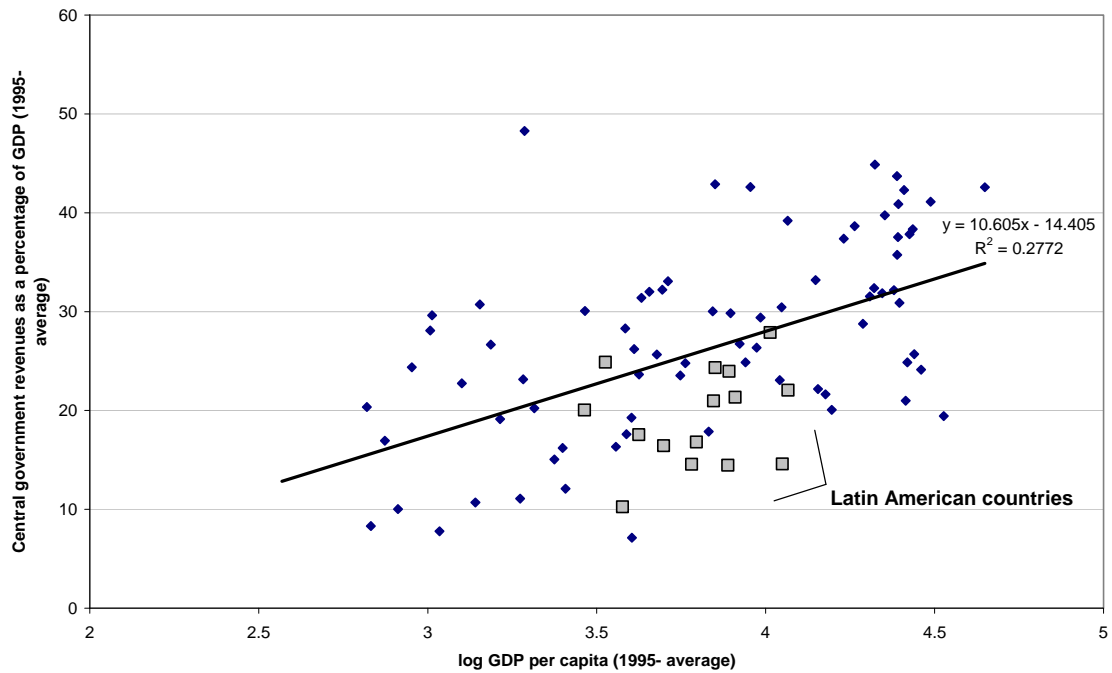
**Figure 2. Personal income and indirect tax revenues as a percentage of GDP, historical OECD countries (1995- except Japan) compared to Latin American averages (1971-80 and 1995- , two estimates) and other regional averages (1995- )**



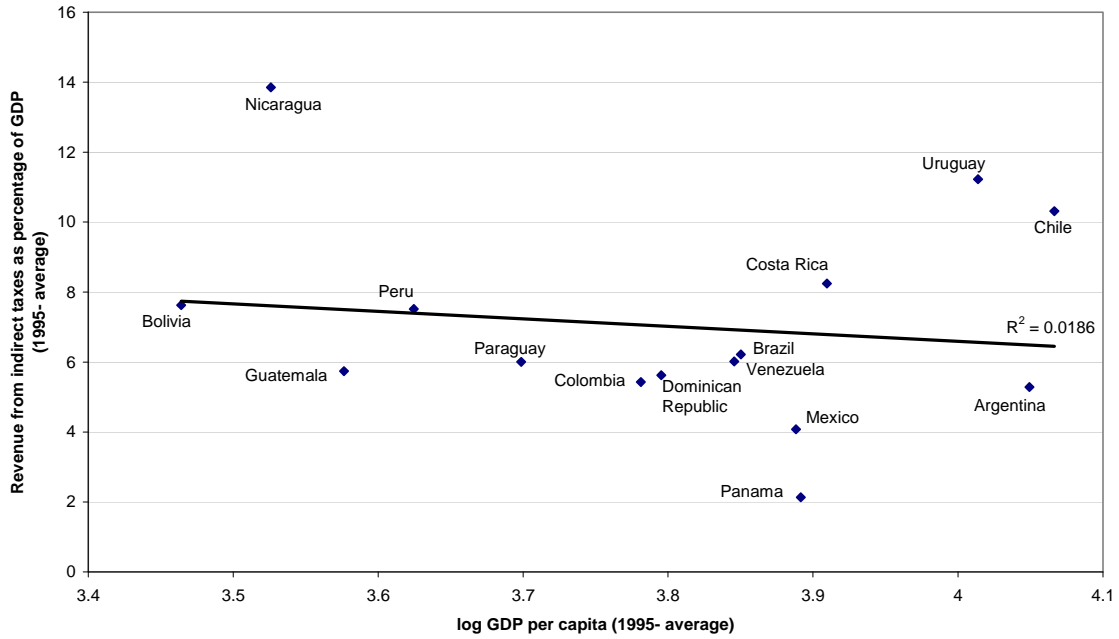
**Figure 3. Total revenue versus GDP per capita, 15 Latin American countries**



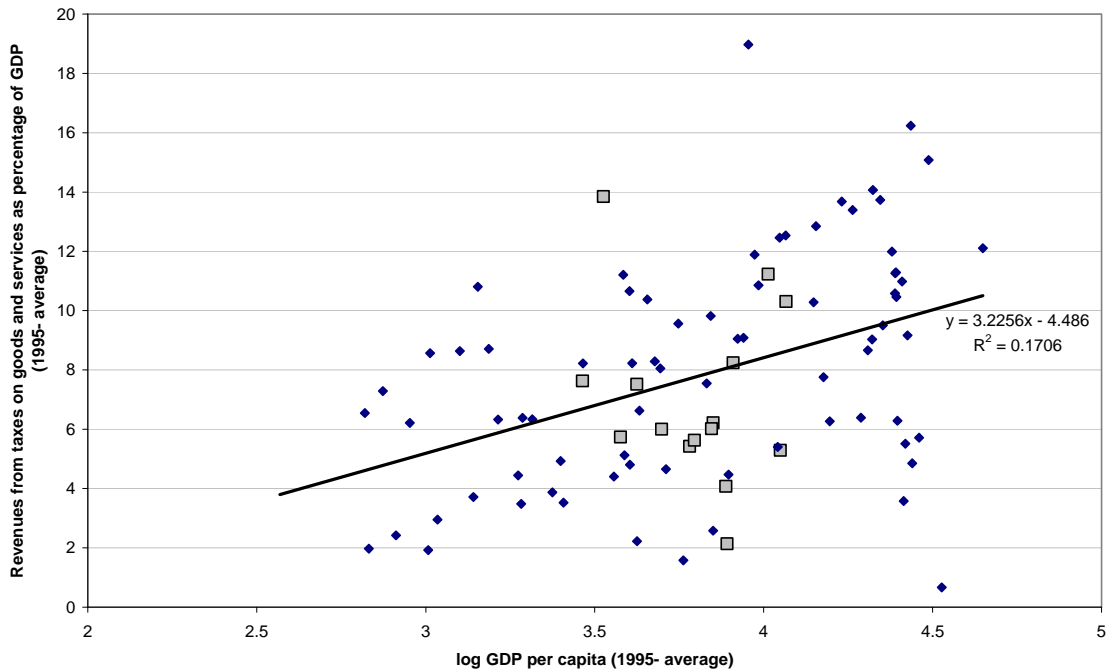
**Figure 4. Total revenues versus GDP per capita, 93 countries**



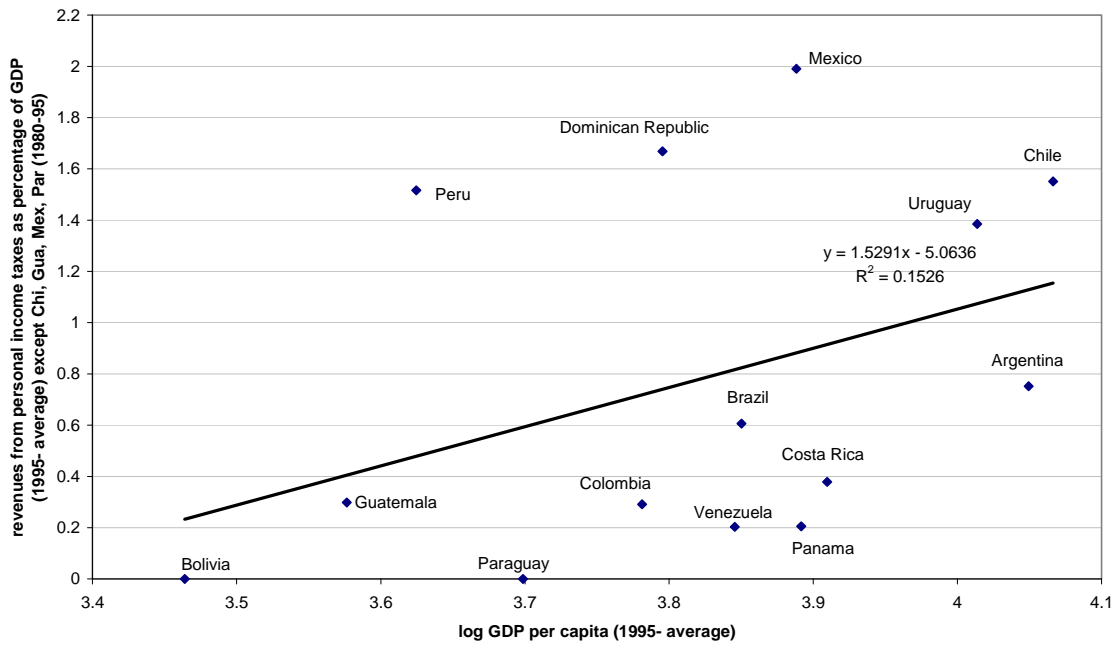
**Figure 5. Revenue from indirect taxes versus GDP per capita, 15 Latin American countries**



**Figure 6. Revenues from indirect taxes versus GDP per capita, 91 countries**



**Figure 7. Revenues from personal income taxes versus GDP per capita, 14 Latin American countries**



**Figure 8. Revenues from personal income taxes versus GDP per capita, 78 countries**

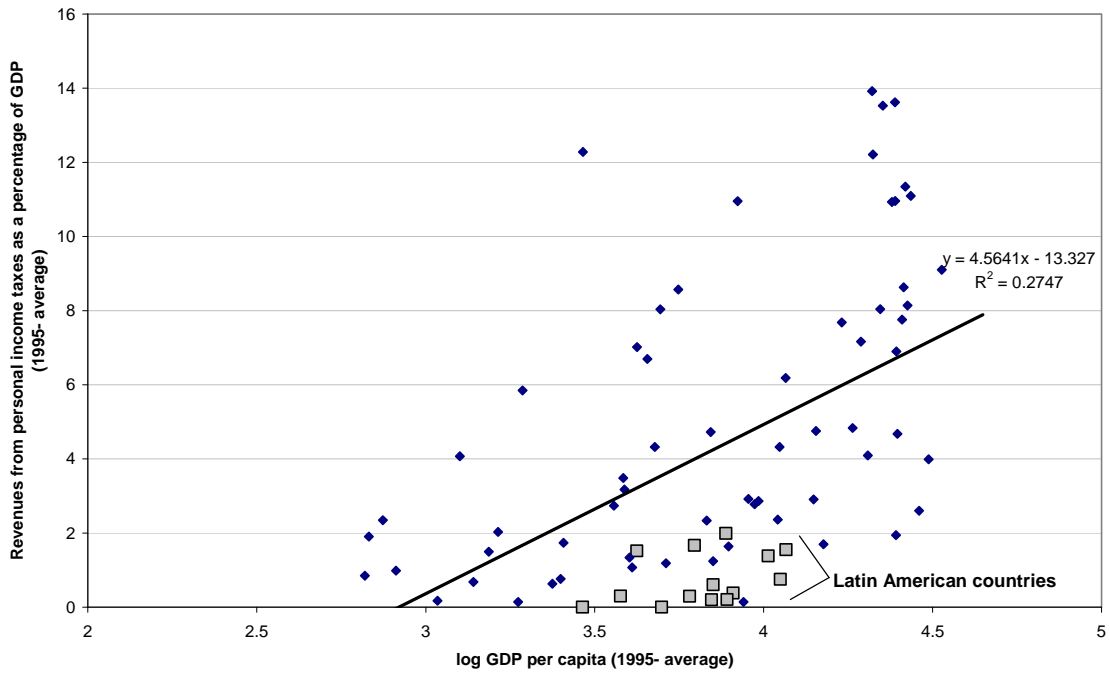
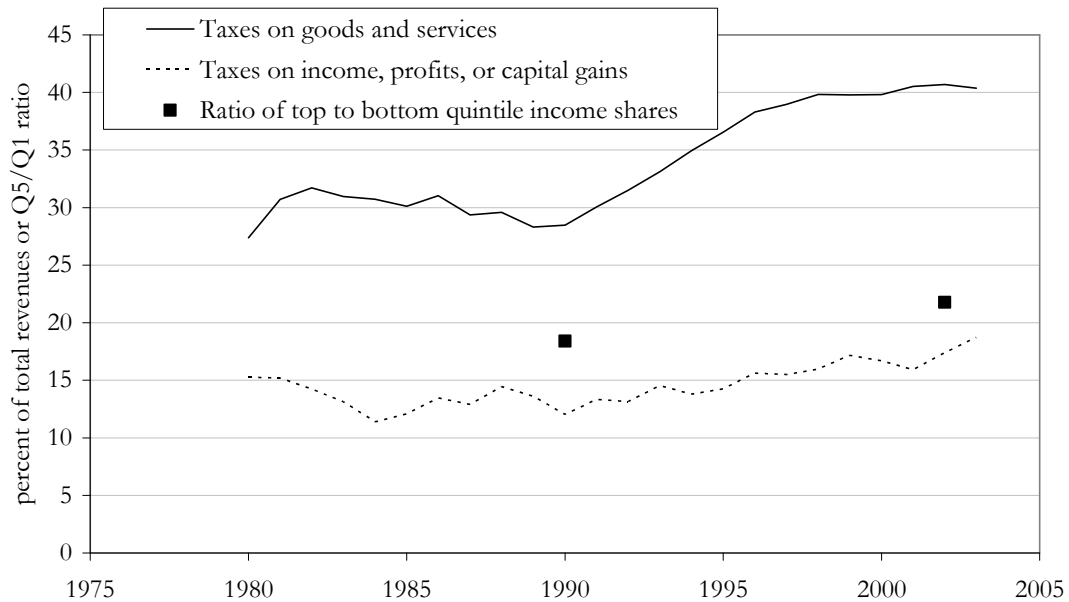


Figure 9.

**Tax revenues by type (as proportion of total revenue) and income distribution, in 13 Latin American countries**



Sources: tax revenue proportions, *World Development Indicators*, 2004, 2007; IMF, *Government Finance Statistics Yearbook*, various issues, author's corrections for mineral rents booked as corporate tax; income distribution, UN-ECLAC 2007, with Deininger and Squire 1996 as noted.

Notes: countries are Arg, Bol, Bra, Chi, CR, Ecu, Gua, Mex, Nic, Par, Per, Uru, Ven. No observations for Bra 99-02, Gua 83-89, Nic 87, Ven DT 02. Early distribution figure for Nic is from 1993. Early figure for Peru is from 1994, Deininger and Squire 1996; large difference between ECLAC (used) and Deininger and Squire figures for Venezuela 1989-90.

**Table 3. Group average Gini coefficients, using three standards of survey parameters and quality, two periods**

Group or Region (number of countries)	Average of UNU-WIDER (2007) Gini coefficients for:					
	Income or Earnings, Quality 1-3		Income or Earnings, Quality 1-2		Disposable Income, Quality 1-2	
	thru 1994	1995-	thru 1994	1995-	thru 1994	1995-
<b>OECD Europe</b> (16)	28.5 (14)	28.8 (14)	28.2 (13)	28.4 (13)	28.0 (11)	28.5 (11)
<b>OECD former Anglo settler colonies, Ireland and Japan</b> (7)	33.3 (5)	34.5 (5)	33.3 (5)	34.5 (5)	34.0 (1)	32.5 (1)
<b>Latin America and Caribbean</b> (21)	53.7 (15)	54.0 (15)	53.3 (6)	53.5 (6)	50.6 (1)	52.6 (1)
<b>Sub-Saharan Africa</b> (20)	62.1 (6)	63.5 (6)	57.6 (2)	61.8 (2)	63 (1)	69 (1)
<b>Communist countries as of 1980</b> (27)	29.6 (20)	34.9 (20)	26.2 (8)	34.9 (8)	24.4 (1)	25.1 (1)
<b>South and East Asia and Indies</b> (12)	39.5 (8)	44.5 (8)	40.9 (7)	43.0 (7)	30.1 (1)	30.8 (1)
<b>Middle East and North Africa</b> (5)	43.6 (3)	40.4 (3)	43.6 (3)	40.4 (3)	46.6 (1)	45.5 (1)

*Notes:* Surveys include only those covering all population, ages, and areas within each country; equivalent on income share unit (household), and unit of analysis (person). All use some correction for income equivalence for services (household per capita).

*Sources:* UNU-WIDER database (2007) and author's calculations.

**Table 4. Regime-type indicators at date of initiation of VAT, Latin America**

Country	Year VAT begun	Regime (Polity) (1-10, 10 is most democratic)		Civil Liberties (Freedom House) (1-7, 1 is greatest civil liberties)		Political Rights (Freedom House) (1-7, 1 is greatest political rights)	
		Score in year VAT begun	Lat Am avg in that year	Score in year VAT begun	Lat Am avg in that year	Score in year VAT begun	Lat Am avg in that year
Brazil	1967	0.5	4.76				
Uruguay	1968	9	4.34				
Ecuador	1970	5	4.18				
Bolivia	1973	1.5	3.58	4	3.63	5	4.37
Argentina	1975	8	3.63	4	3.84	2	4.47
Chile	1975	1.5		5		7	
Colombia	1975	9		3		2	
Costa Rica	1975	10		1		1	
Nicaragua	1975	1		4		5	
Honduras	1976	4.5	3.27	3	4.11	6	4.68
Peru	1976	1.5		4		6	
Panama	1977	1.5	3.21	5	4.11	6	4.68
Mexico	1980	3.5	4.55	4	3.95	3	4.05
Haiti	1982	0.5	5.08	6	3.63	7	3.53
Guatemala	1983	1.5	5.58	6	3.63	6	3.53
Paraguay	1993	8.5	8.03	3	3.53	3	3.05
Venezuela	1993	9		3		3	

*Notes:* Polity regime indicator combines democracy and autocracy scores; Latin Am average calculated over 21 countries.

*Sources:* Marshall and Jagers 2006; Freedom House.

Figure 10: Average of combined MMP and Lora tax reform index, 1970-2003 (x), against change in Gini coefficient estimated (see end of Appendix) from country charts (y)

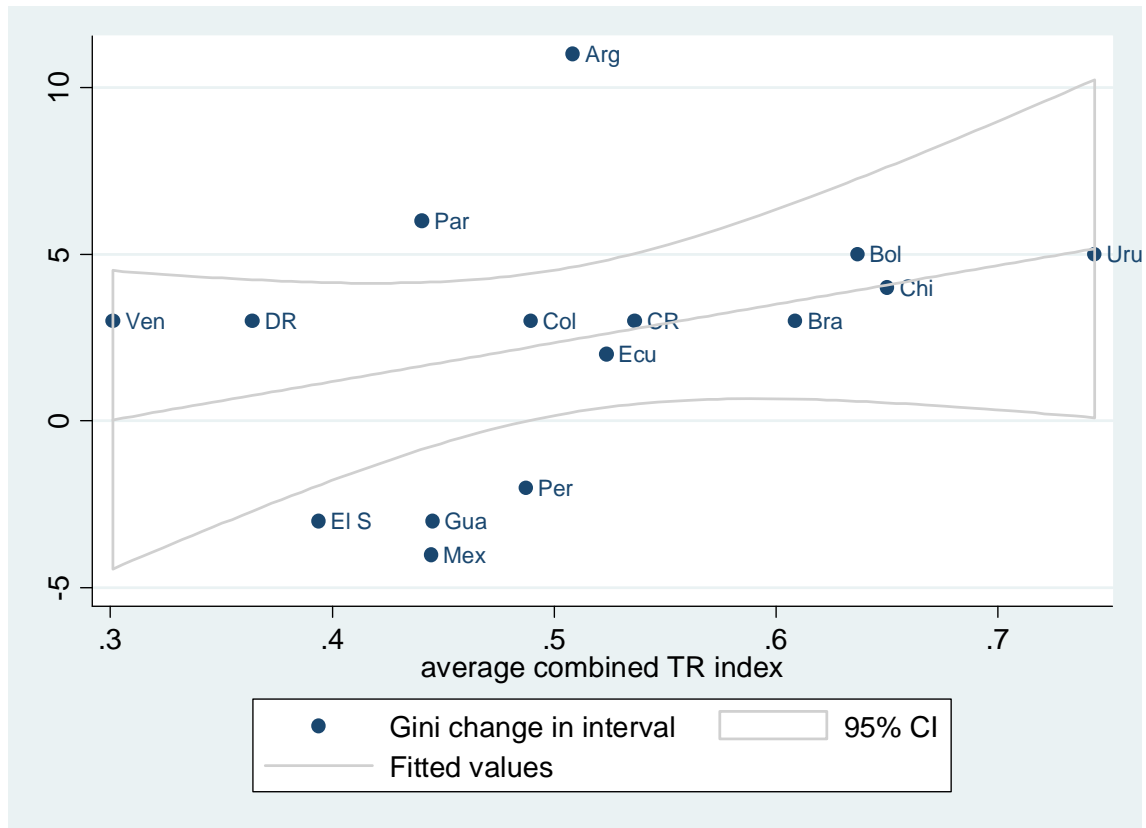


Figure 11: Initial Gini estimated from country charts (y) and date of initial implementation of value-added tax (x)

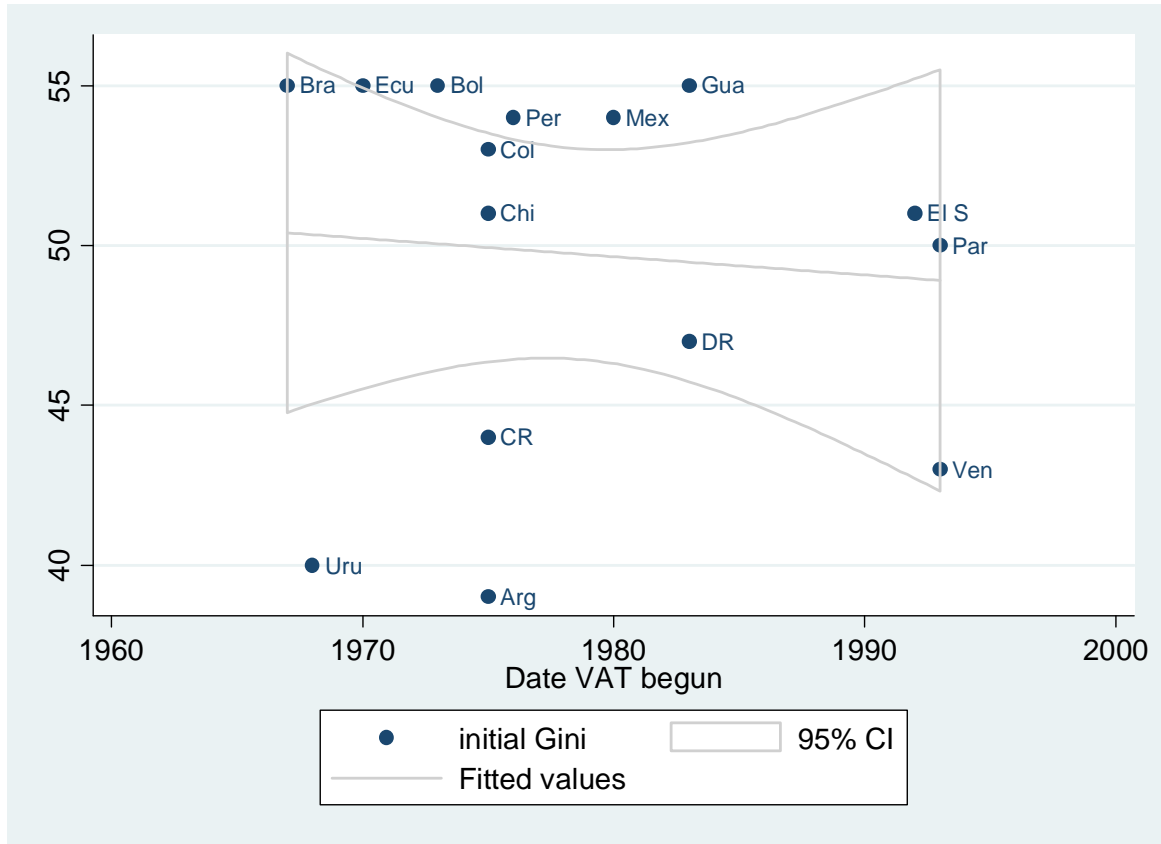
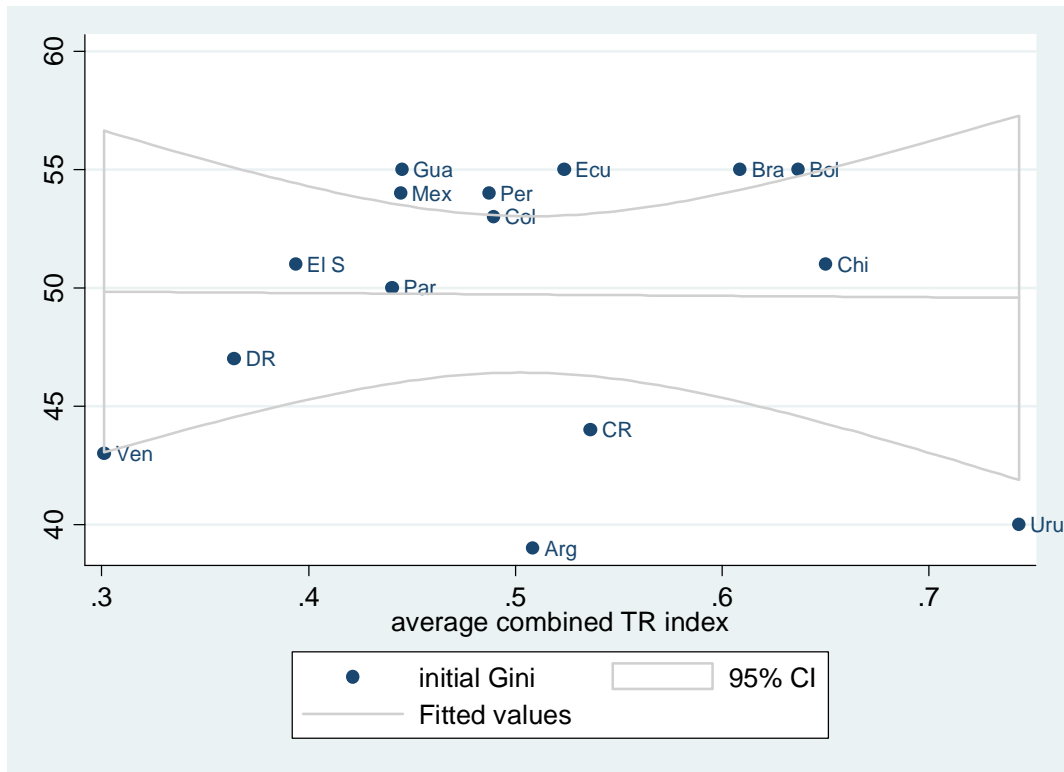
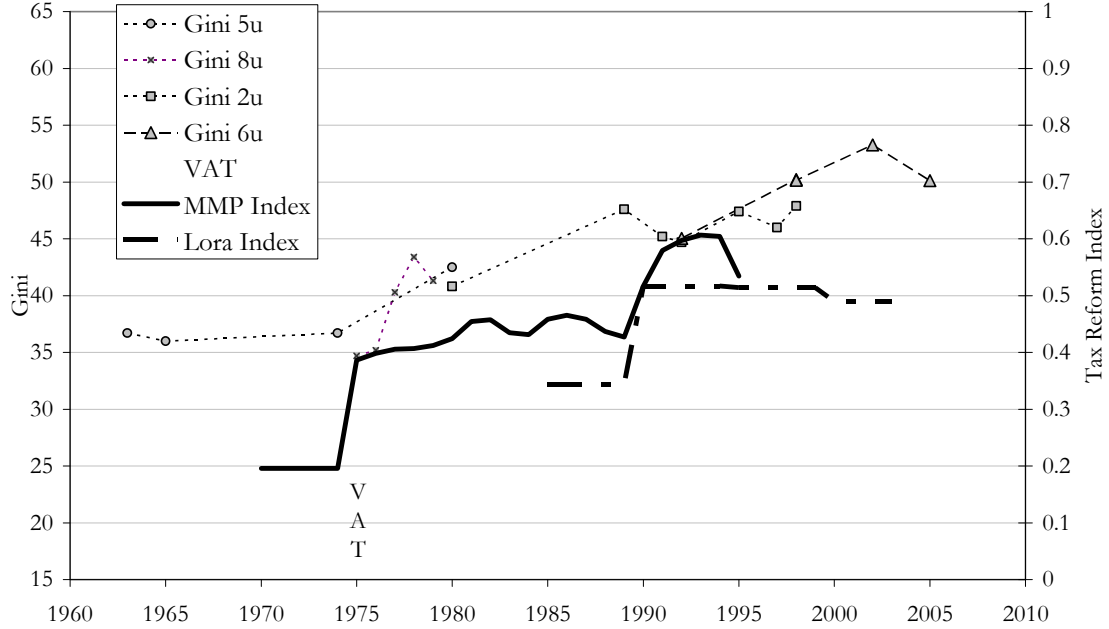


Figure 12: Initial Gini estimated from country charts (y) and average combined MMP and Lora tax reform index, 1970-2003 (x)

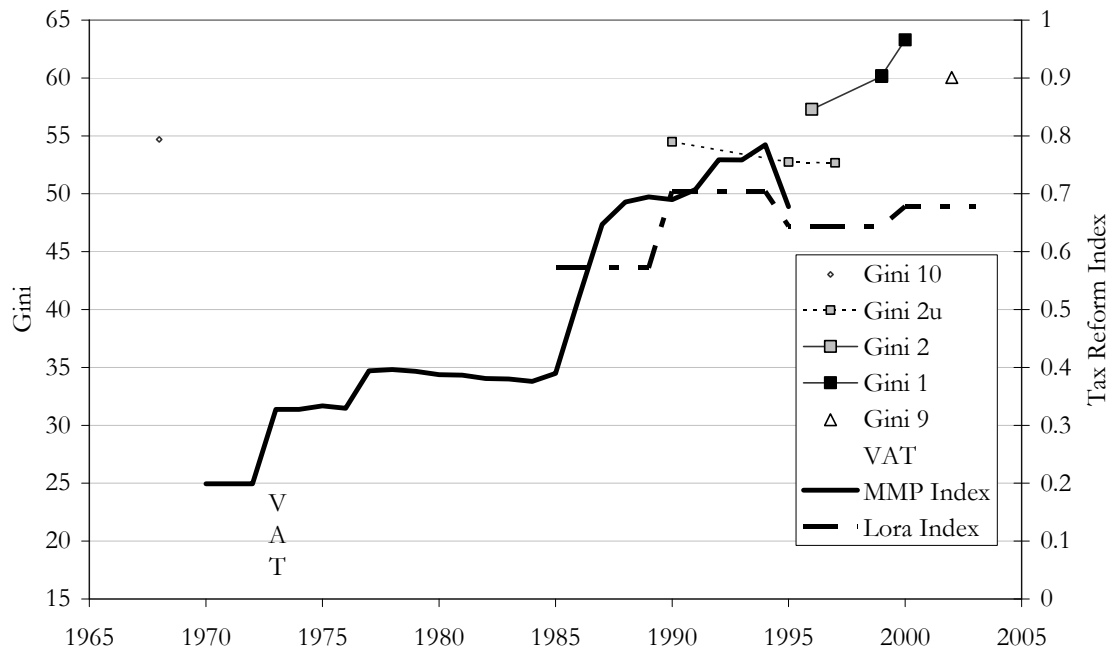


## Appendix Country Charts (explanatory note at end)

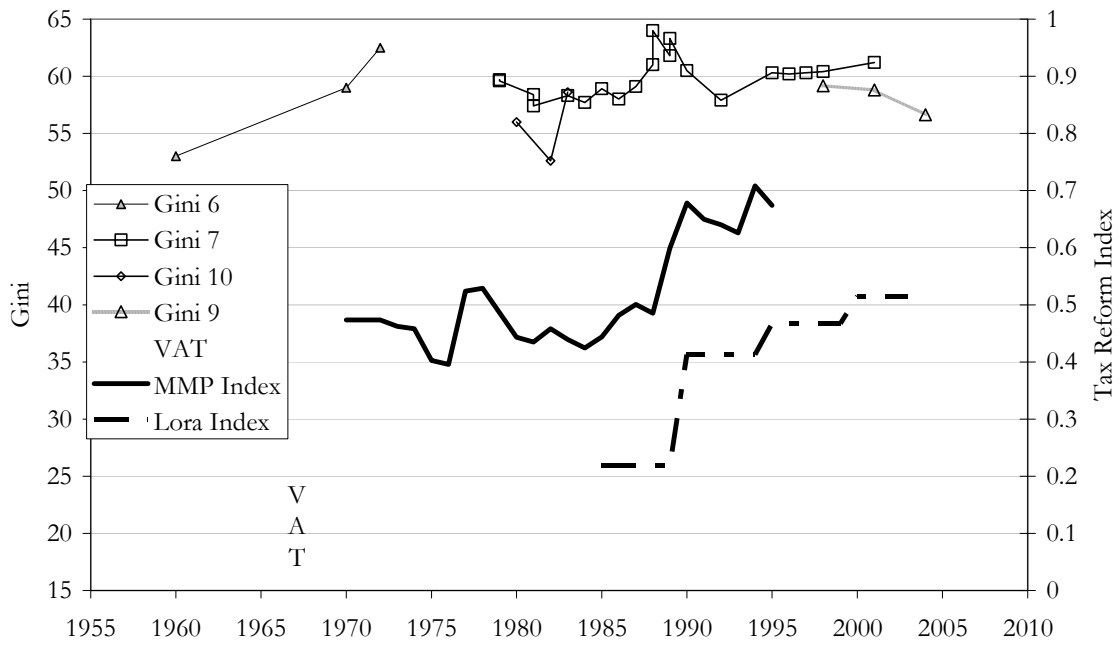
### Argentina



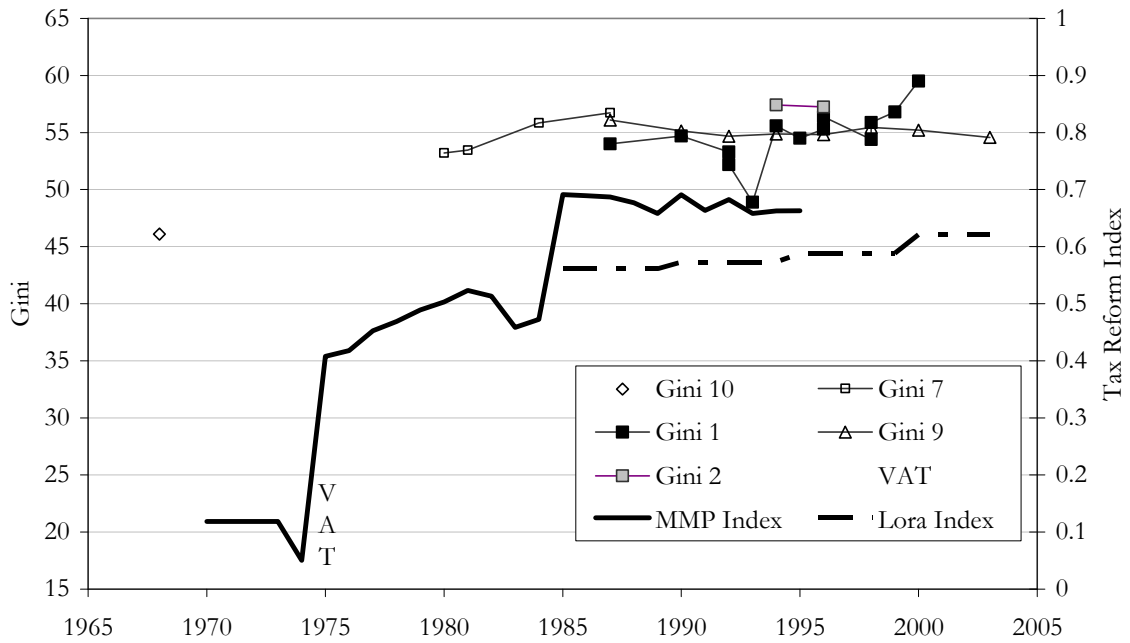
### Bolivia



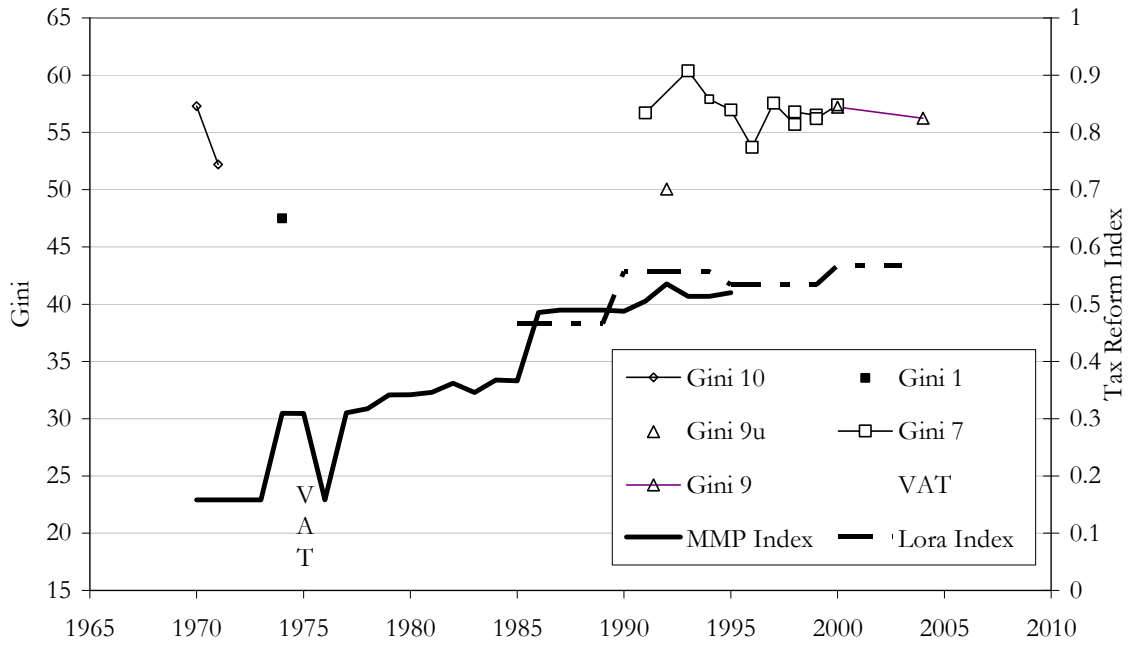
### Brazil



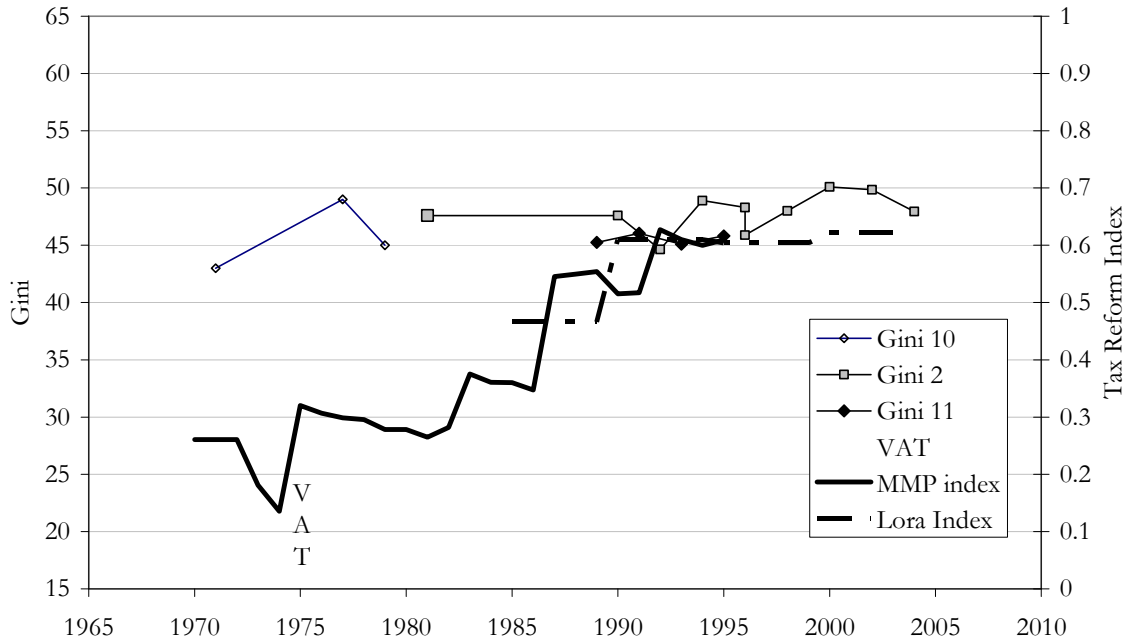
### Chile



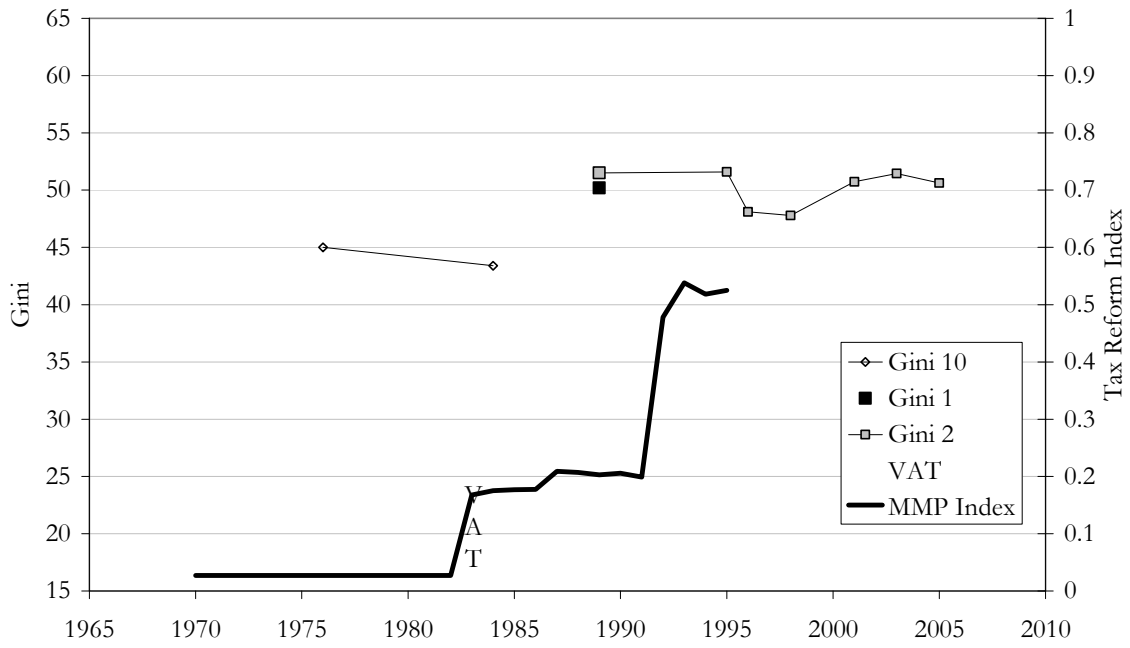
### Colombia



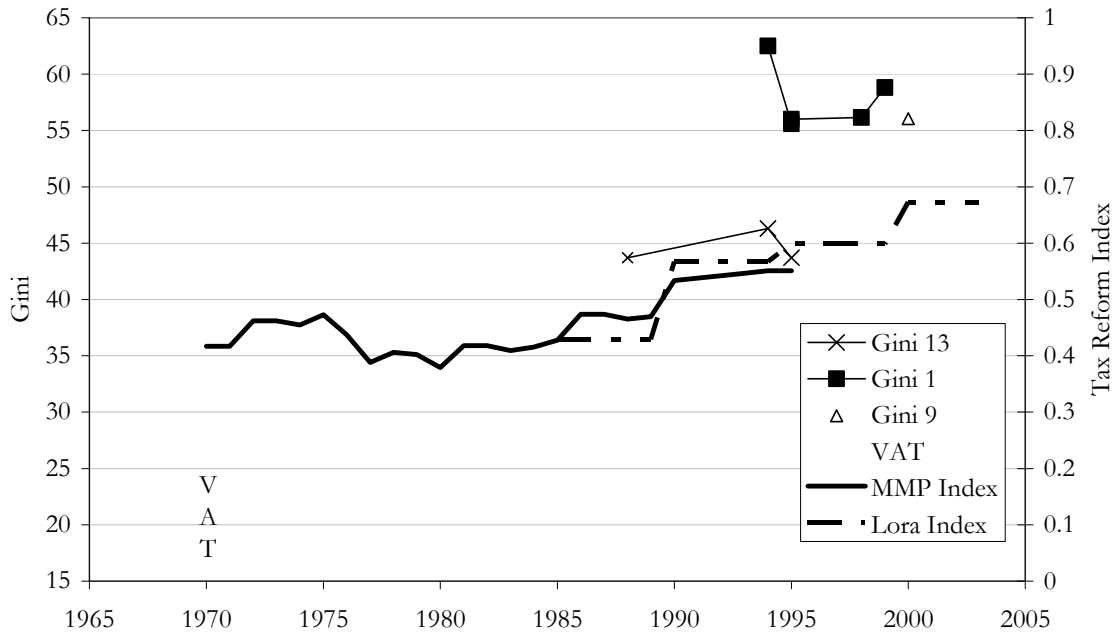
### Costa Rica



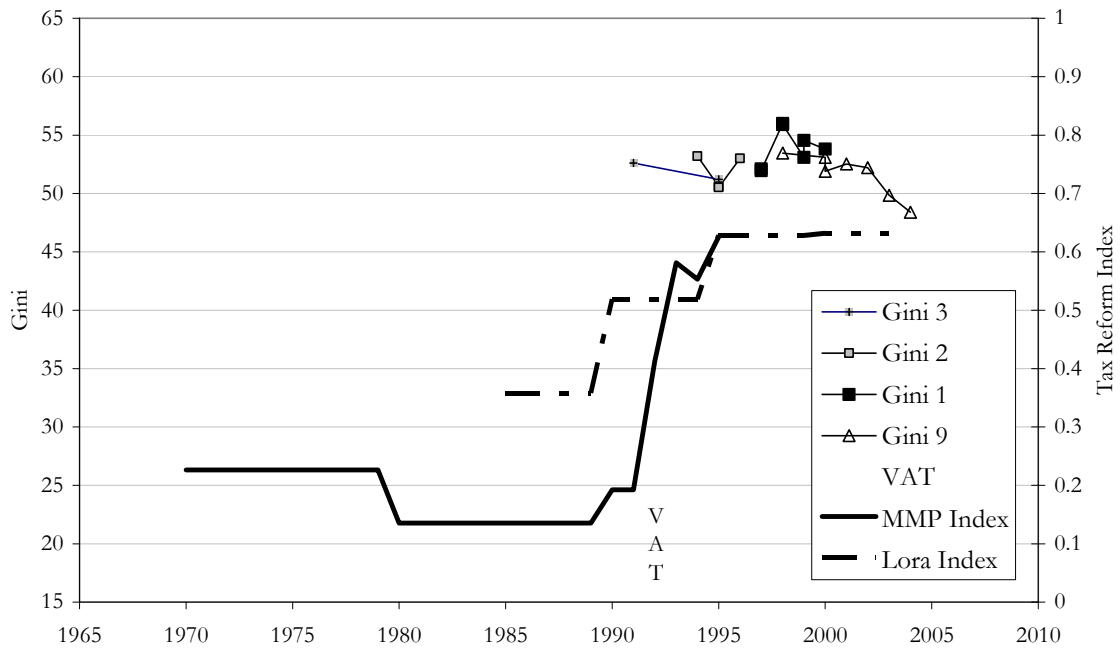
### Dominican Republic



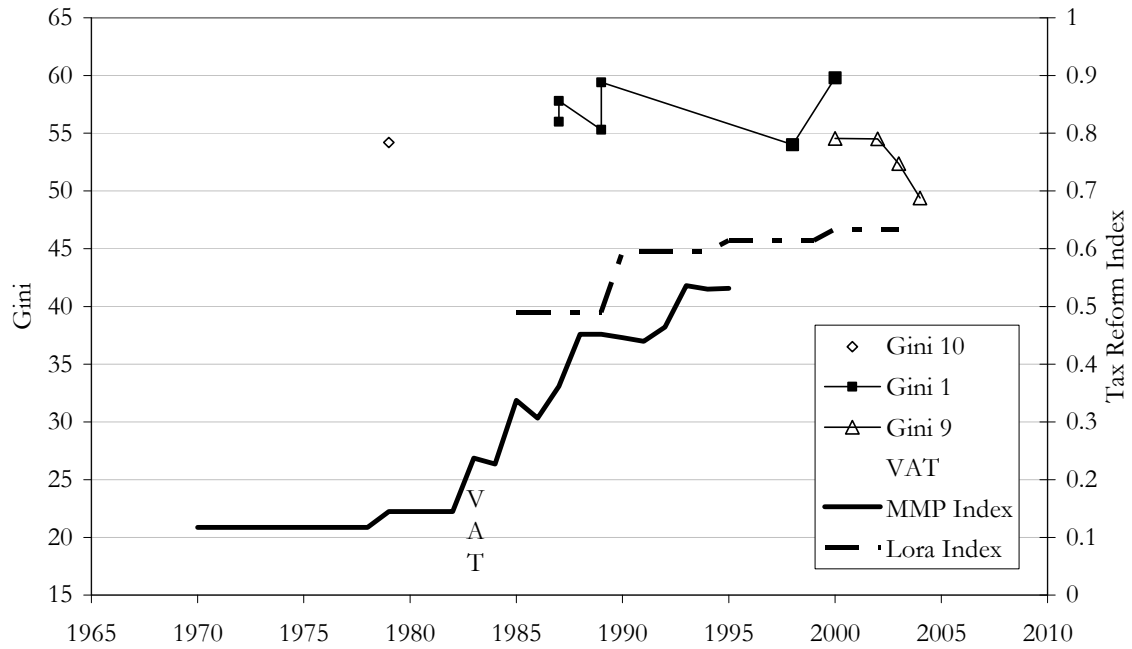
### Ecuador



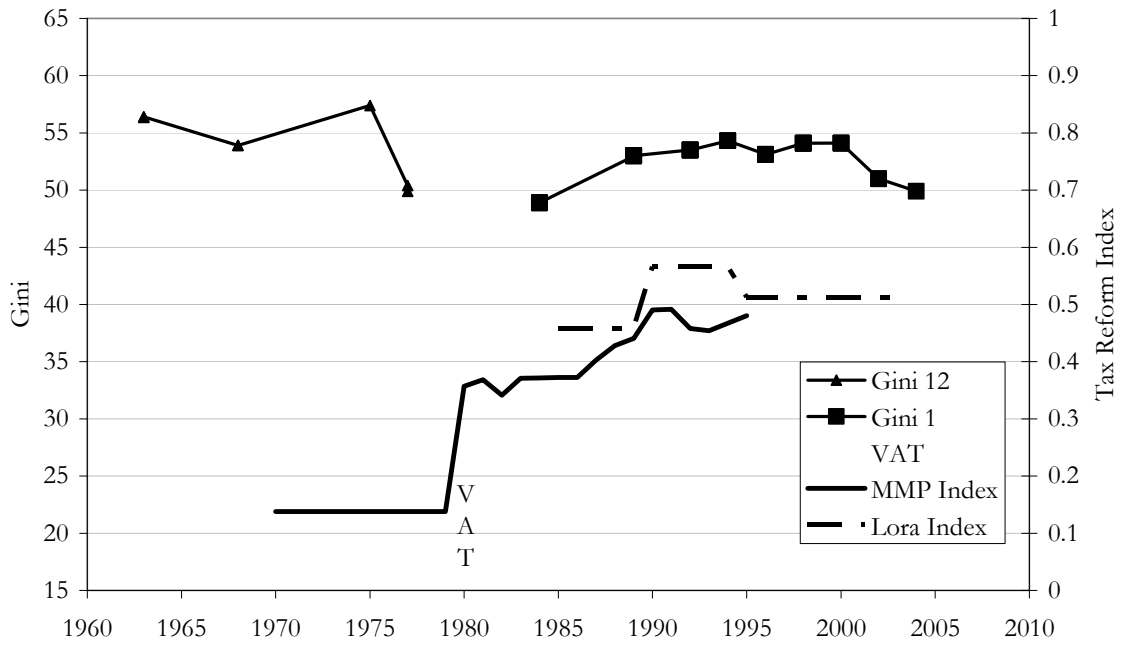
### El Salvador



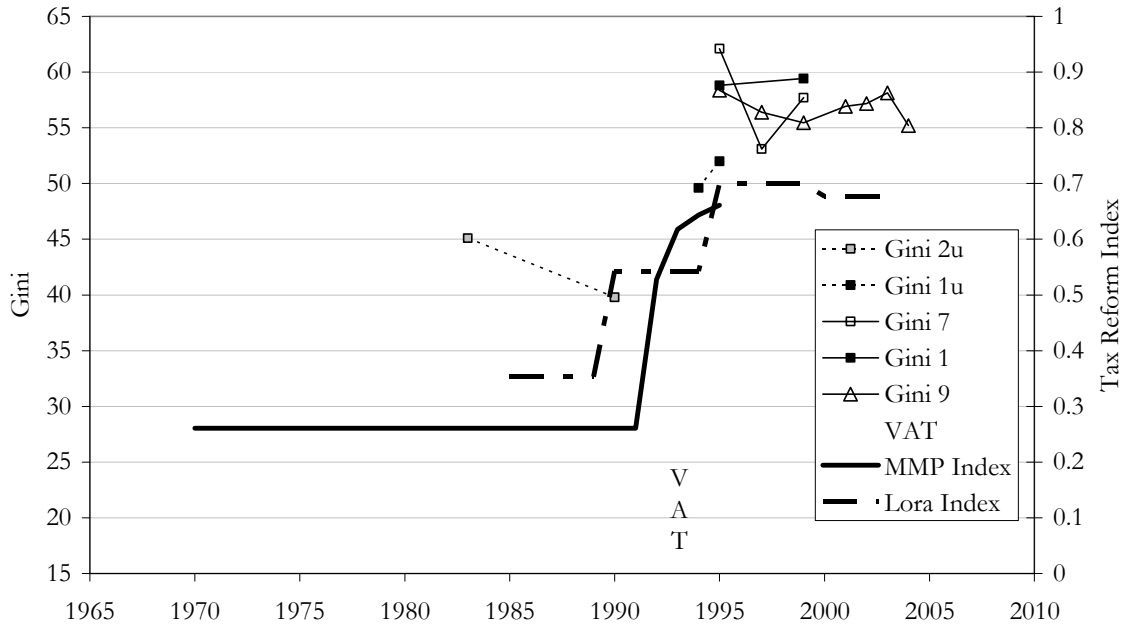
### Guatemala



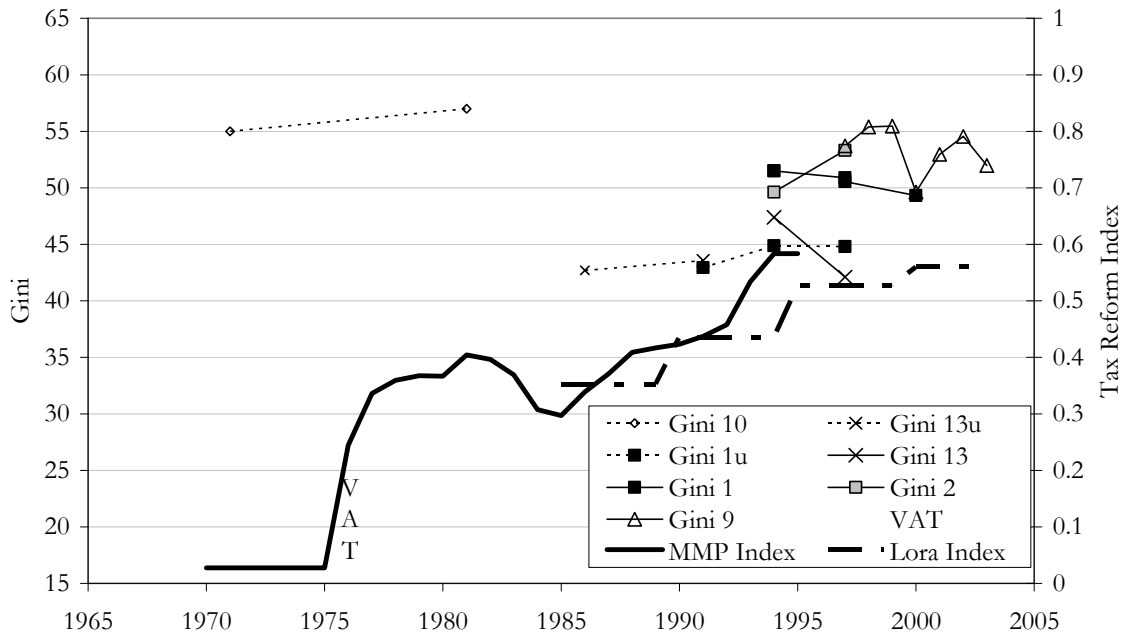
### Mexico



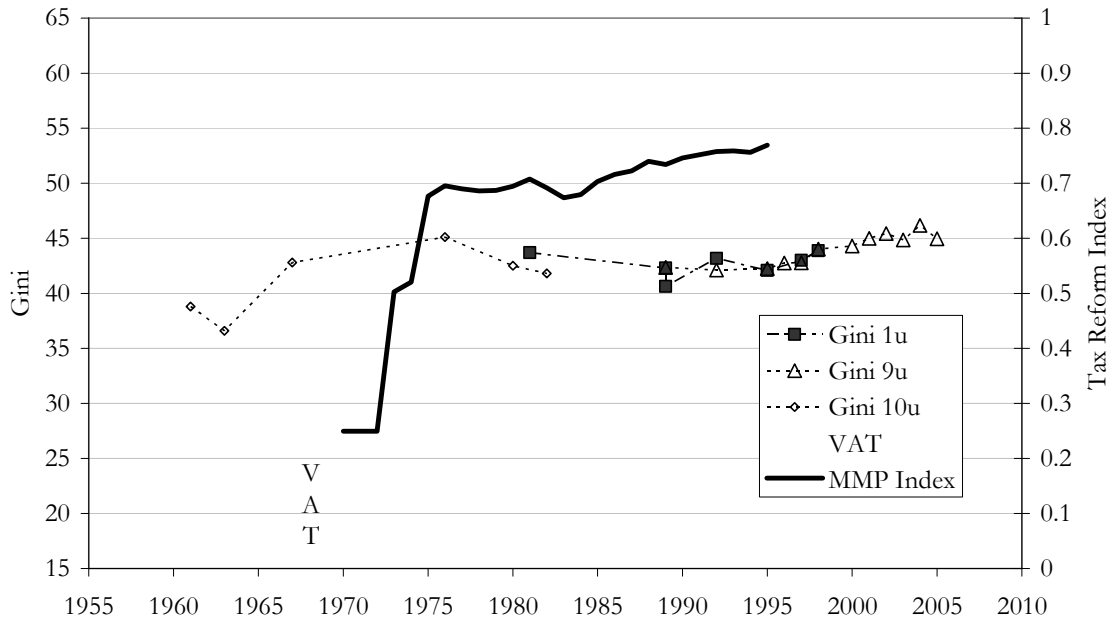
### Paraguay

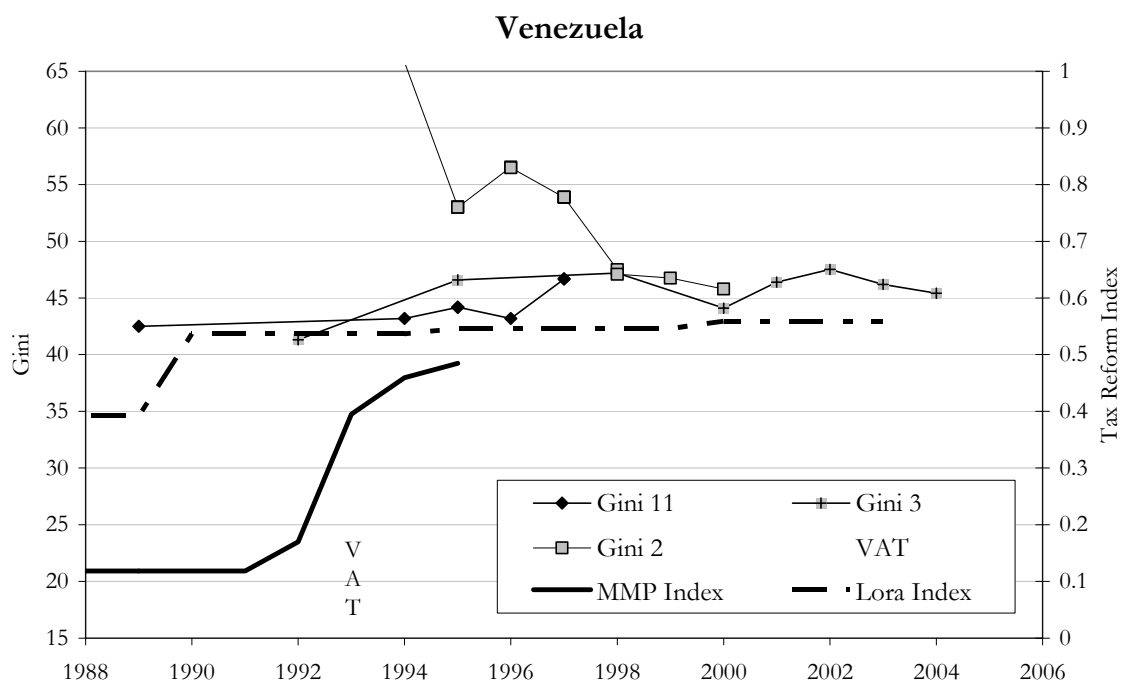


### Peru



### Uruguay





Gini Coefficients Estimated from Charts (cf. Figures 10-12)

Country	Gini c.1972	Gini c.2005
Arg	39	50
Bol	55	60
Bra	55	58
Chi	51	55
Col	53	56
CR	44	47
DR	47	50
Ecu	55	57
El S	51	48
Gua	55	52
Mex	54	50
Par	50	56
Per	54	52
Uru	40	45
Ven	43	46

## Explanation of chart symbols for income distribution surveys

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