

**TAX REFORM AND ITS DETERMINANTS  
IN LATIN AMERICA, 1977-94:  
IMPLICATIONS FOR THEORIES OF STATE DEVELOPMENT**

**James E. Mahon, Jr.**

Department of Political Science  
Williams College  
Williamstown MA 01267 USA  
james.e.mahon@williams.edu

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# **TAX REFORM AND ITS DETERMINANTS IN LATIN AMERICA, 1977-94: IMPLICATIONS FOR THEORIES OF STATE DEVELOPMENT**

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While tax reform has become an important part of the recent economic restructuring of Latin America, no study has tested theories of its determinants over a large data set. The most important regional studies confine themselves to description of the trend (Shome 1992) or useful but unsystematic exploration of causes (Bird 1992). Nor has the importance of these tax reforms for politics been well explored at the regional, macro level. This paper presents empirical results from a broad study of the determinants of tax reform in fifteen Latin American countries over the period 1977-94, then asks what significance these results have for general ideas about the political importance of tax reform in the region.<sup>1</sup> It will engage the idea that major tax reforms constitute pacts between state and civil society, and thus important political watersheds. It will also ask about the meaning of foreign policy advice and conditionality for such theories of institutional development.

The first section introduces the relevant literature and a series of hypotheses derived from it. The next reviews operational definitions of key variables, and the results, qualitatively and statistically. The data analysis shows some importance for economic crisis, the electoral cycle, and international pressure in explaining the occurrence of tax reform--but even these results are somewhat ambiguous. The final section asks what the relatively modest results of the data analysis tell us about the politics of tax reform in Latin America.

## *EXPLAINING RECENT TAX REFORMS: THEORY AND HYPOTHESES*

The relevant literature on the determinants of tax reform Latin America includes works specifically on taxation (Bird 1992; Shome 1992) and those that consider tax changes along with liberal economic reform generally (e.g., Williamson 1994). From these, and from the broader literature on policy reform in political science, we can derive several theoretical arguments about the conditions favoring tax reform. Four of these, listed below, respectively posit the causal importance of economic crisis, newly elected governments, authoritarianism, and international pressure in bringing about significant tax reforms in Latin America. Let us discuss the background to these theoretical expectations before reviewing the results of the data analysis.

1. Crisis and reform. An old and robust generalization in political science concerns the contribution of emergency to state power. Wars expand bureaucracy and statesmen routinely use foreign threats to dominate domestic opposition. In general, it has been observed, "crisis acts to increase power at the executive levels of organization"..."when routine breaks down,"..."only the executive can [resolve it]" (Schurmann 1974: 21-22).

Tax experts concur on the importance of crises to reform. Ascher notes the importance of a sense of crisis to tax reforms in Colombia, concluding that, in general, financial crises are good

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moments to introduce reforms "if the government maintains both credibility and good macropolicy" (1989: 464). From a wide variety of Latin American experience, Bird (1992) states the proposition more strongly:

major changes in tax structure and administration are usually possible only when times are bad, during a crisis of some sort. Only then is it possible to overcome the coalition of political opposition and administrative inertia that normally blocks significant change...(32).

Under normal conditions, it is politically suicidal to propose a substantial change--especially a net rise, apart from any redistribution--in tax burdens. Crises provide an opportunity to assemble new coalitions and to fortify the executive initiative that tax reform requires.

2. The electoral cycle. It accords with experience in the US (from FDR to Reagan) that big reform projects succeed best in the first months of a new administration, when the executive still enjoys the election's popular mandate without having the time to elicit much popular disappointment by actually governing. This variable permits us to spotlight governments elected as successors to other elected regimes, rather than as transitions from military ones (Kaufman and Stallings' two types of elected regimes, noted below). We might look for major tax reforms to be proposed, and often approved, in the first year of a newly elected executive.

3. Regime type. On this point the expectations one could derive from the literature are somewhat mixed. On the one hand, Latin American experience may seem to suggest that, other things equal, authoritarian regimes, like that of Chile in 1975, are better at implementing large-scale tax reforms than more open regimes. Even under crisis conditions, interests represented in the legislature may push for the retention of tax exemptions. To overcome these obstacles, elected leaders may move in an authoritarian direction, perhaps resorting to the decree powers granted under states of exception. On the other hand, Kaufman and Stallings have usefully complicated our ideas about the relationship between regime type and reform by distinguishing among authoritarian regimes, transitional elected regimes, and established elected regimes. Based on the experience of the 1980's they found that while the first has some affinity with significant neoliberal reform, that of the last is even greater. Settled democratic procedures may allow for more successful reorientations of economic strategy (Kaufman and Stallings 1989: 201-33).

4. International pressure. To many observers the most remarkable thing about the pattern of economic policy reform in Latin America has been the great extent to which it conforms with the wishes of official Washington. According to this view, Latin American countries, once encumbered with debt, had to accept the dictates of the institutions that offer relief or renewed access to capital. And in fact, since soon after 1982 the great majority of Latin American countries have undertaken stabilization programs upon accepting the conditions set by the IMF in Stand-By Arrangements or, more rarely, Extended Fund Facility agreements. These conditions have always included some policy understandings related to the public sector, chiefly in terms of reducing its deficit (Ground 1986: 124-25) and later, explicitly on taxation. Looking at the overall trend of reform, Barbara Stallings argues that

the rush to privatization and liberalization in the 1980's, especially in the latter half of the decade, is prima facie evidence that external forces were operating. It is hard to construct an argument suggesting that domestic forces just happened to coincide in so many dissimilar countries to bring about such similar policy decisions (1992: 82).

Although he is more emphatic in positing the importance of crises, in an intriguing footnote Bird (1992) seems to concur with Stallings:

major explicit tax changes are almost invariably political dynamite, which is one reason why they usually occur only when no other option is open. In Latin American terms, this point has too often meant only when the International Monetary Fund really puts on the pressure (23, note 26).

For such reasons Stallings contends that dependency theory probably applies better today, when the theory is regarded as discredited, than it did when the idea was popular in the 1970's (43).

By this reasoning, tax reform would have resulted not from domestic initiative but from foreign prodding, especially if such reform were made a condition of IMF or Brady Plan approval, and thus crucial to obtaining access to capital or debt relief.

Obviously, this ties in with the notion of crisis, for it is under such conditions that countries approach the Fund. However, the fit is not perfect: immediately after 1982, to the extent that they accommodated the Fund's strictures on the public-sector deficit, most countries did so by cutting back expenditure severely, especially in public investment, rather than by undertaking tax reform. Stallings implies that the "dependency" view of tax reform might predict a pattern of reform across the region similar to, though later than, that predicted by the degree of economic crisis. At least insofar as the latter is defined by GDP, the sense of crisis domestically would generally have preceded the concerted international push for structural reform (85).

#### *OPERATIONAL DEFINITIONS AND RESULTS*

The data set is composed of 15 countries over 18 years--if no values are missing, 270 observations on each variable. I was analysed as a cross-sectional or pooled time series using STATA for Windows 5.0. Most tests were random-effects generalized least squares (GLS) regression. Where only within-case variation was taken to be meaningful (on tests for electoral cycle effects, for example), a fixed-effects GLS regression was run.

Tax reform. In order to isolate moments of tax reform unambiguously, I define it as the institution of a VAT, the expansion of the VAT, the elimination of stamp and other minor duties, the simplification and broadening of personal or corporate income or assets taxes, or the revision of the tax code to enact comprehensive administration and criminal penalties for evasion. A thoroughgoing tax reform, marked by all or nearly all of these policy changes, would come closer to a score of 1 on the tax reform index. Only one or two of these policy changes would put the index in the range of 0.2. *The moment of tax reform is marked at the time of the final approval of the measures.* Tax reform appears on page 1 of the summary table (six pages of spreadsheet) that is Appendix 1.

1. Crisis and reform. By the reasoning outlined above, the 1982-94 period ought to have been quite propitious for tax reform in the region. But what constitutes a fiscally and politically relevant crisis? I first define crisis in a way that tries to capture *public* perceptions of economic conditions: rather than a lack of international reserves or a fiscal deficit, here I use an index based on the current year's change in CPI, the acceleration of this inflation rate between the current and the previous year, and the current year's GDP. These are combined into a crisis index as explained in Appendix 3, and represented as page 2 of the summary table.

On the face of it, the correlation of crisis with tax reform is quite striking in many cases, but less so in others. Argentina 1989-90, Bolivia 1986, Mexico 1983 and 1988-89, Peru 1991-92, and Venezuela 1993-94 (not to mention Chile 1975, not in the data set), all take place during or soon after major economic crises involving some combination of inflation and a reduction of economic growth. However, several important reforms do not show the same relationship: most notably Colombia 1992 and Mexico 1980. Here we may be seeing regimes whose economic policymaking was usually autonomous enough so that it did not need to be enabled by a public perception of crisis: if technocrats thought it necessary, that was good enough.

Perhaps surprisingly, statistical support for the proposition that crisis causes reform is relatively weak for the 15-country data set. Over the 18 years 1977-94, on a multiple regression the contemporaneous variable **crisis** has a coefficient smaller than its standard error (Appendix 2: STATA log, page 1), while combining **crisis** with the one-year and two-year lagged variables **crilag** and **crilag2**, together with no other variables, produces little improvement on the significance of the coefficients (page 2). Little improvement on this score can be gained by restricting the data set to the years 1985-94 (page 5, bottom). There is no strong relationship between the depths of economic crisis and the implementation of tax reform immediately or within two years.

It should be noted, though, that the  $R^2$  values between cases are higher, ranging from 0.28 to 0.33, for this set of variables than for any others tested. This means that a relatively high proportion of the **taxref** (tax reform) variance is explained by differences among countries in their respective average levels of crisis, as measured here, over the periods examined. So we can say that, although the lag between crisis and legislation might be longer than two years in many cases, a history of relatively extended or severe crises was the best predictor of a history that includes tax reforms.

The data analysis also tested another way of looking at crisis, as a decline in investment. Although it was originally hoped to test only private investment, this set uses total gross fixed capital formation as a proportion of gross domestic product (GFCF/GDP), because good numbers for government GFCF (the only way to get private investment, as a residual) were not available for the 1990's at this writing. There may be some question as to the comparability of these numbers anyway. They are presented on page 3 of the summary spreadsheet. Like **crisis**, the variable **inv** explains variance better among cases than within them. While the coefficients of the contemporaneous **inv** on **taxref** show the expected sign, their confidence intervals are only slightly tighter. **Invlag** has the wrong sign for the 18-year data set (page 2) and the expected one but no reliability for the shorter set (page 6). All in all, the results on this measure of investment reinforce the other crisis measures somewhat.

The weakness of the crisis variables may also be due to the fact that while many crises buffeted Latin America over this period, relatively few of them resulted in important tax reforms. As such, we may be engaging in selection bias if we only remember the big reforms that took place during crises. Put another way, the data may be telling us that crisis, as defined here, may have been a necessary condition for reform in many memorable cases, but it has not been a sufficient condition, and that its effects may have taken a long time to find their way into legislation.

2. Electoral cycle. Inaugurations of new elected administrations are noted on page 4 of the summary spreadsheet. As noted in the table, this dummy variable is coded as 1 in the same year as the inauguration if this happens before June 30; if not, it is 1 in the next year.

It has been a common observation that new administrations initiate economic reforms at the beginning of their terms. This was the case in Argentina 1989-90, Bolivia 1985-86, Colombia 1990-91, Peru 1990-91, Mexico 1989-90, and Venezuela 1989. Tax reform, though generally proposed early, often took longer to get approved--most notoriously longer in Venezuela and Brazil.

The data analysis shows the tightest confidence interval on the coefficients associating **taxref** and **nuadm** among all the variables (pages 1, 3, 5, 7 in Appendix 2), making them significant by any criterion. Interpret these with caution, however, because of the limited range of variation assigned to **nuadm**. The within-case  $R^2$  values are the highest of all variables, but still quite modest, in the range of .07 to .08. That is, over the 18-year and 10-year intervals for 15 countries, being in the first year of an administration makes it 7 to 8 percent more likely that one will see a total (value = 1, as in Bolivia 1986) tax reform, or 35 to 38 percent more likely to see a minor (value = 0.2) tax reform. New administrations thus seem to be weakly but significantly associated with tax reform. Again, the reason for the weakness may be the fact noted above: lots of new administrations have come to power, but relatively few of them have done big tax reforms.

3. Regime type. In studying the effect of regime type on economic outcomes, we need to avoid considering all elected regimes as equally democratic, since many abridge labor and other rights, lack independent judiciaries, or, perhaps more important for the present topic, operate under states of emergency in which the executive has decree powers over matters relevant to tax policy. Thus, despite all the difficulties this entails, it makes sense to make regime type a continuous variable. I have created a regime type index for 15 countries, explained in Appendix 3, that scores governments on a scale from 0 for extremely authoritarian to 1 for extremely democratic.

At first blush, there is a weaker relationship of tax reform with regime type than with recent election or with economic crisis. Looking at one easily identifiable indicator, VAT's have been famously initiated under authoritarian regimes--Brazil 1968, Chile 1975, Guatemala 1983, and Ecuador 1970--and also under democracies such as Costa Rica, Uruguay (1968), Argentina during the Peronist interlude of 1973-76, and Paraguay after Stroessner was toppled.

Yet if we look closer at some of the elected reformers we see that in Argentina the major reforms of Menem corresponded to a period uncommonly crowded with presidential decrees (although on taxes these powers were expressly given by the legislature). In Bolivia the passage of tax reform coincided with political protest by unions and threats by the Interior Ministry to enforce a state of siege (but none was called in the crucial months of mid-1986). In Peru, Fujimori deepened his tax reform after the autogolpe of April 1992, but he did so using powers granted to him by a law passed in 1991 (Durand 1994: 19). In Colombia and Mexico there was less of a clear crisis; it may have been that the moderately authoritarian nature of the regimes supported the established technocratic autonomy in both places.

The results from the data set show no clear relationship. The values for the regime variable appear on page 5 of Appendix 1. Statistically, although their sign suggests a correlation

between democracy and tax reform, neither **regime** nor **chreg** (a variable measuring the difference between the current and previous years' values on **regime**) have significant coefficients or explain an appreciable amount of variance.

One of the problems with this analysis is that any variation in **regime** due to the use of decree powers to implement tax reform will be swamped by the much larger variations over the 15 countries and many years of the data set. Perhaps more work could be done with a smaller set of elected governments--reformers and non-reformers--without introducing too much selection bias.

4. International pressure. There are strong reasons for supposing that international pressure was an important determinant of the timing and shape of tax reform in Latin America. After 1982, the IFI response to the debt crisis emphasized fiscal austerity in order to finance external obligations. Later, as domestic debt compounded the problem, IFI-promoted trade liberalization reduced tariff and duty revenue. Although privatizations, initiated about the same time and also promoted by the international institutions, offered one-time revenues on the capital side, they often reduced current income (profitable state firms were easiest to sell, and privatization programs needed early successes). These trends created the need to enlarge and stabilize tax revenue. The IFI's were in a position to point this out and to "sell" the idea of tax reform. Hence Bird's observation, cited above, about the IMF's causal importance.

Behind this generalization are lots of well-known and clear-cut cases of IFI prodding. The famous Bolivian reform of 1986 was passed by the Bolivian senate in marathon session, barely making the deadline established by the IMF; the Guatemalan reform of 1983, which introduced a VAT in that country, also responded to IMF requirements (FBIS Latin America 5/21/86, C01; 5/5/83, P08). As the World Bank became more involved, with "adjustment lending" displacing project loans in the late 1980's, it was also instrumental in promoting reform, for example in Panama in 1991 and, along with the IMF, again in Guatemala in 1992 (World Bank, Annual Report 1987: 117; 1992: 146; 1993; FBIS Latin America 6/3/91, 21). A Costa Rican observer predicted, somewhat bitterly, that because governments required agreements with the international financial institutions in order to get international recognition from financial markets, and such recognition was needed for loans and trade, "Costa Rica's tax system will change" (Alvarez 1991: 7).

For the purposes of data analysis, however, international pressure is the trickiest variable to operationalize and measure. For this study, I have coded the variable **intl** as having the value 1 in the first year of an IMF agreement (Standby, Extended Funds, or Structural Adjustment Facility), unless the agreement is signed in December, in which case it is coded for the next calendar year. In those cases for which I was able to find press reports or other information that tax reform was a key item of negotiation between the Fund or the World Bank and the government, I coded that year, if not a year of actual agreement, as having the value 0.5 on **intl**. The values are represented on page six of Appendix 1 (under "IFI agrmts").

Statistically, the international pressure variable is similar to but slightly weaker than the electoral cycle variable (**nuadm**) in terms of explanatory power. In the multivariate regression over the 18-year set (page 1, Appendix 2) and when taken alone over the 18-year and 10-year sets (pages 4 and 7), **intl** shows tighter confidence intervals and higher within-case  $R^2$  values than any variable except **nuadm**. However, these values are very low: .038 and .027 respectively. And

unlike **nuadm**, the (positive) coefficients on **intl** are only significant at the 95% level in the larger data set (p. 4). From this we can conclude that over the larger sample, an IMF agreement in the same year makes it 5.3 percent more likely that a total tax reform (value 1) will be present, or 27 percent more likely that a moderate tax reform (value 0.2) will be present.

Again, the reason for the low  $R^2$  values along with significant or nearly significant coefficients is probably the fact that there are so many more instances of IMF agreements, even over the shorter 1985-94 period, than tax reforms. In some cases tax reform was not in the agreement because other items were more pressing; in others tax reform was not judged necessary. And there are a range of cases (Brazil comes to mind) in which persistent IMF or World Bank requirements were not followed. In explaining the timing of reforms, international pressure appears to be only moderately important. (The shape or content of reforms may be a different story, as I will discuss below.)

SUMMARY. All in all, these are modest results. Crisis predicts tax reform fairly well, but only when comparing country average value to country average value, not over time (at least, within 2 years) within cases. New administrations appear to have the best within-case or temporal association with tax reform, with small but statistically significant effects, but the amount of variance explained is small. IMF (or, in some cases, World Bank) agreements have a similar but weaker association, with smaller effects that are only significant for the larger sample, and an even smaller proportion of variance explained.

#### *TAX REFORM AND THE STATE*

At this point it is appropriate to ask what these modest results suggest for our broader ideas about tax reform and politics. In another literature, not mentioned above, rational-choice analysis is used to paint a picture of state formation in early modern Europe in which the evolution of taxation plays a central role (e.g. Tilly 1985; Levi 1988; Kiser and Hechter 1991; for a classic review see Tilly 1975). Here, state-building is a process by which institutions of law and representation arose out of exchanges for revenue, undertaken under the lash of necessity by war-fighting states. Western European political development was an evolving tradeoff between, on the one hand, methods of resource extraction that were progressively regularized and decreasingly coercive, and on the other, modes of domination ever more circumscribed by codified law and by increasingly elaborate mechanisms of consultation. According to one hypothesis, parliaments arose as states found it necessary to tax increasingly mobile assets (Bates and Lien 1985). Thus "no taxation without representation" may have been not only a local slogan but a widely-occurring historical tendency.

Of course, Latin American political histories differ a lot from the European model. For one thing, the prosecution of wars played a smaller part in Latin American administration than it did in western Europe (on this theme see also Porter 1994). Colonial Latin American states extracted resources for the metropole's purposes, and creole elites had a tradition of resisting this extraction in various ways. When many of the independent states were again consolidated in the later 19th century, their key source of revenue was trade, and the most prevalent goal was "order and progress," not war. Moreover, the taxation of private assets has never been a major part of



government revenue in Latin America.<sup>2</sup> Finally, the entry of the popular sector into politics may have pushed states even further from the prototypical relationship between taxation and formal representation, as the propertied gave up terrain in legislatures but kept their influence behind the scenes. All things considered, it would be wrong to take the taxation-for-representation model too strictly if this means we should expect tax reforms in contemporary Latin America to be accompanied by the fortification of existing legislatures or the advance of the rule of law.

But participants and observers tell us that many recent tax reforms in Latin America did seem like bargains of this sort--more tax revenue in return for more responsible and transparent government (Durand 1994: 1). In Venezuela, public expressions of concern over the quality of government were often voiced in discussion of recent tax reforms (Mahon 1995: 7-9). Is there anything in these macro-level results to support this model?

Maybe a subtle kind of evidence can be gleaned from juxtaposing the regime and electoral cycle results. Regimes do not seem to have mattered; this suggests that state autonomy is not the problem.<sup>3</sup> But being in the first year of an elected administration did, though only moderately. One way to interpret this would be to consider newly elected governments as being in a stronger position to undertake reform, especially reform that raises tax rates or the tax proportion of GDP, because of their proximity to the act of consent. This makes sense--after all, it is what we mean when we say that the "mandate" of a government is stronger, the closer it is to the moment of its election.

Of course, this raises a new issue. Given that recent tax reforms in Latin America have followed the international trend toward consumption taxes, mainly the VAT, and away from trade duties or income taxes, on what does a new social pact depend when the tax increase falls mainly on a broad consuming public rather than on a small number of the wealthiest?<sup>4</sup> The terms of the exchange might be the same, but it might be much harder to bring about a settlement, given the difficulty of solving collective-action problems for large groups (Olson 1971: chaps. 1-2). This might be why elections, as acts registering broad consent, matter for broad taxes like the VAT.

What about international pressure? Does the role of international financial institutions undermine the model of a domestic negotiation? The weak results on the international pressure variable suggest that it ought not. But this was a test of its importance for *occurrence* or timing.

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<sup>2</sup> In fact, Hirschman (1968) argued that a principal reason for many Latin American governments' turn to overvalued exchange rates on primary exports in the postwar period could be found in the effective opposition to land taxes on the part of powerful elites.

<sup>3</sup> For example, in 1984 a tax reform under the highly autonomous Noriega regime in Panama failed after public protests by business groups complaining about a lack of consultation (FBIS Latin America 11/29/84; N01).

<sup>4</sup> They have generally been more progressive than one might have predicted, given the general trend in economic policy. For various reasons, in this period any reform that increased revenue had a good chance of being progressive in its effects. Abolition of incentives and exemptions can prove progressive, as can revenue increases that cut inflation and interest rates, since the rich avoid the inflation tax and hold most government debt (Musgrave 1987; Brodersohn 1988: 122-23; Gil 1987). Of course, this says nothing about the net effects of fiscal policy when expenditures are considered also.

In nearly every case of recent tax reform, its *content* has agreed pretty closely with an internationally approved recipe purveyed by, among others, the Fiscal Affairs Department of the International Monetary Fund. This might mean that the domestic political importance of tax reform is much less than the taxation-for-better-government model suggests. Since its basic shape was determined elsewhere, the tax reform was not truly a product of the negotiations between state and taxpayers, and the negotiations might be expected to have a less enduring effect on national politics.

Of course, this does not matter if we expect no abatement of the broader international trends that have shaped recent tax reforms. In 1994, Colombia was not experiencing a crisis by the measures used here, nor was it under an IMF agreement. Yet the reform finally passed in 1995 was described as providing a tax regime that promotes economic openness "by accomodating and attracting foreign investors" (Tax Notes International 7/1/94: 106). This suggests that our models of tax reform as moments of bargaining and institutionalization need to make room for international actors.

### APPENDIX 3 CRISIS AND REGIME TYPE INDICES

The crisis index was composed of the log of current year's change in CPI, plus the difference of the logs of the current and the previous year's CPI's, minus the rate of GDP growth for the current year, all divided by ten. Thus a high inflation rate and an accelerating inflation rate raise the index; a high positive growth rate reduces it; and the log transformation of inflation makes the measures of comparable magnitudes. The division by ten facilitates the graphical representation of this index alongside two others that range from 0 to 1.

Regimes were coded in a range of extremely authoritarian, 0.0, to fully democratic, 1.0. "Democratic" refers here not only to elections but to the power of legislatures and the rule of law: judicial independence, civilian supremacy, civil liberties, press freedom, and respect for human rights generally. Stable, open liberal democracies such as Holland or Denmark would score near 1.0 on this index; regimes such as that of Costa Rica closer to 0.9. A score of 0.8 would denote a liberal democracy with substantial military prerogatives, occasional states of exception, state manipulation of unions or other mass organizations, occasionally compromised judicial independence, or occasional violations of human rights. An index of 0.7 would denote an elected regime but one in which decrees or states of exception are frequent, violations of human rights more frequent, and barriers to free expression or organization exist; 0.6 would be similar but with more frequency in deviations from liberal democratic principles. A score of 0.5, assigned here to Mexico for many years, denotes a regime elected but in limited competition, or in which states of exception are very frequent, with violations of human rights frequent and usually unpunished, where critics of the government (including opposition party members and journalists) are harassed and occasionally killed. Where 0.4 or (in extreme cases) 0.3 denote an elected regime, this implies restricted competition, almost continuous states of exception, extensive impunity of the security forces and severe and widespread violations of the human rights of dissenters and journalists; judicial independence is here rare and threatened. Colombia and Peru in the late 1980's were given a score of 0.4; in many years, the military-dominated civilian regimes of Guatemala were given the lower score. Generally, indexes in the range of 0.3- 0.1 denote military regimes of varying severity. The more extreme cases involve total bans on political organizations, control and harassment of the press, extensive violations of human and legal rights, systematic disappearances, and an extent of military prerogative usually justified by officially labelling the situation as one of war against an internal enemy. Chile under most of the Pinochet years, Argentina 1976-80, and Guatemala 1979-83 are examples.<sup>5</sup>

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<sup>5</sup> This admittedly crude assessment is based on a variety of sources, of which the following are most important: Amnesty International, Annual Report, 1977-1992 (London: Amnesty International); Latin American Weekly Report, various issues, 1979-91.

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