Juan Pablo Jiménez (ed.) (2015):
Desigualdad, concentración del ingreso y tributación sobre las altas rentas en América Latina
Santiago de Chile: Comisión Económica para América Latina y el Caribe (CEPAL), 172 p.

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Latin America (LA) is historically characterized by extreme inequality with low tax collection, where a significant portion of the population lives in poverty. However, the region has managed to reduce its inequality levels over the first decade of the 21st century. Its countries' economic growth has improved, and efforts to reduce the population living in poverty have proven successful. Nonetheless, there is still a long way to go in order to create equality for all.

In 2015, ECLAC (the English acronym of CEPAL) released a book with the purpose of maintaining equality as the region's priority, as well as providing guidance for the formulation of a progressive tax policy that addresses inequality. While it is a supra-national actor in LA, it aims to contribute to the region's agenda on tax policy formulation by providing a theoretical approach that can be useful for both policy makers and scholars. The book was edited by Juan Pablo Jiménez, ECLAC's Economic Affairs Officer. Each chapter features different collaborations from authors with academic background in Economics. Throughout three chapters, the book emphasizes the importance of using complete, up-to-date, and reliable databases to analyze income evolution. It highlights the current pitfalls of household surveys in accurately reflecting inequality levels and presents complementary methods to reduce this gap. ECLAC aims to raise awareness of the fact that the wealthiest earners in Latin American (LATAM) countries are not contributing to taxation in accordance with their income levels. Furthermore, it provides fiscal tools that can improve both the contributions of high-income earners and the progressivity of tax schemes.

Chapter one is a collaboration between Veronica Amarante, ECLAC's office director in Montevideo, and Juan Pablo Jiménez. It highlights the current lack of information on wealthy earners in LATAM countries. Although efforts are made to collect information by means of household surveys, data is not systematically collected, and there is additional need for long-term data. In general, household surveys fail to collect accurate information from the highest deciles, which affects accuracy of inequality calculations. Availability of adequate and reliable information can contribute to a more realistic inequality indicator and to a better analysis of income distribution evolution, as well as support formulation of progressive tax reforms.

Amarante and Jiménez point out that the region has improved its indirect redistribution capacity through government expenditure. However, its direct redistribution impact is limited due to low tax collection. They also explore income tax limitations. Firstly, the highest proportion of wage earners is located under the lowest tax bracket, due to low wages, which considerably shrinks the tax base. Secondly, a significant amount of tax exemptions allows high-income earners to pay less than taxpayers with lower income levels. Finally, there is a high level of evasion, non-compliance, and under-taxation.

The authors recommend using an improved wealth indicator that considers assets, debts, income, and expenditure, along with the incorporation of fiscal data, to create a more robust framework to analyze the evolution of income distribution. In order to reach the highest deciles of the population, they propose establishing taxes on property. Additionally, they propose taxing labor and capital incomes together, as the highest deciles' income has increased through capital, rather than labor, over the last decades.

Chapter two, a collaboration between Juan Carlos Gómez Sabaíni and Darío Rossignolo, both ECLAC's consultants, presents the latest trends in inequality and tax reforms of the region. Throughout the last decade, the region has managed to reduce its inequality levels. However, LATAM economies, in general, significantly rely on natural resources and primary products. The authors fail to analyze the influence of commodity prices on this downward trend.

The authors present a conceptual framework that highlights the influence of the highest deciles on income tax collection efficiency. Various schemes and poorly defined criteria to address labor and capital income lead to horizontal inequality. Nonetheless, the latest fiscal reforms undertaken in LA have created valuable improvements in terms of the tax scheme composition, attributing more importance to direct taxes and improving the progressivity of the collection system.

Chapters one and two support the imperative need for the region to have more information and accurate databases to better understand the income evolution of the top decile. Likewise, they point out as a major Gini index pitfall its tendency to neglect the transfers occurring among the extremes of income distribution – transfers that better reflect actual inequality trends. By analyzing different cases, Sabaíni and Rossignolo demonstrate the importance of complementing the information used to measure inequality, such as including fiscal reports or adjustments for underreporting, in order to achieve more accurate indicators.

Besides supporting Amarante and Jiménez' proposal of reducing exemptions to broaden the tax base, Sabaíni and Rossignolo present two remarkable proposals that target generalized practices in the region. The first one is to improve management of fiscal resources. Taxpayers perceive that access to information related to use of fiscal resources is difficult and incomplete, which encourages tax evasion. Improving resource management could boost institutional reliability and reduce evasion levels. The second proposal focuses on updating property databases. In many countries of the region, land and property databases do not reflect the properties' current characteristics, which leads to underpayment of property taxes. By updating these databases, owners will pay taxes accordingly – an efficient strategy to tax high-income earners and thus improve tax collection.

Through a case study of Uruguay, the last chapter presents the possibility of improving inequality measurements by complementing information collected by household surveys with fiscal data and social service contributions. Likewise, this case study finds that the average income increase of the country has been captured by the top 1%. Additionally, among the highest decile, the top 1% has absorbed the highest proportion of income.

In conclusion, the text presents the current advancements of LATAM countries regarding inequality improvement and measurement in general. It strongly calls for better databases and highlights the need for more research on income evolution using complementary information that leads to more accurate indicators. Overall, it misses details on the potential regressive effects that the taxing alternatives presented could feature. Its analysis also fails to include the role of the informal sector and the highest deciles' participation in it. However, it does present interesting alternative taxing options to reach high-income earners. The text aptly provides a clear perspective of the region's inequality levels and presents the benefits and limitations of a complementary framework to measure inequality.