
Jorge Atria, Constantin Groll, & María Fernanda Valdés (Eds.) (2018)

Rethinking Taxation in Latin America: Reform and Challenges in Times of Uncertainty.

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Comparativa, Comparative Fiscal Sociology

This book is a compilation of some of the latest research in fiscal sociology in Latin America. The authors have different backgrounds among the social sciences. Their research tends to reflect upon economic inequalities, drawing from institutional and historical explanations.

Articles are divided so as to expound what the editors call the *historical*, *transnational* and *relational* dimensions of taxation. The historical dimension refers to features that can be explained by an interplay of the elite and factor endowments that took place in the past; the transnational dimension indicates the strong influence of international dynamics on national outcomes; and the relational dimension reveals power relations at many different levels. This distinction is the main contribution of the edited volume, as each chapter provides a good example of the repertoire of approaches available to analyse society through the lenses of taxation. Paradoxically, some chapters show that a comprehensive explanation of a social outcome cannot be accomplished by means of one single dimension. The works of Castañeda

(chapter 7) and Garita (chapter 8) offer a good picture of the tax structure, but a historical dimension would be needed to explain why and how the elites shaped tax structures in Colombia and Guatemala. On the other hand, Schneider (chapter 3) offers a compelling example of the historical (four economic periods), transnational (international insertion) and relational (fiscal federal bargains) dimensions of taxation put together to understand the Brazilian tax and federal structures.

The editors' chapters at the beginning and end of the book are key pieces for readers who are new to fiscal sociology. They provide a general overview of taxation in the region, a review of key literature and a cogent explanation of the policy challenges that are revealed upon thinking taxation from a multidisciplinary perspective. At the very beginning of the book, the transnational dimension of taxation can be observed in how the evolution of tax systems is correlated to international events (i.e. the Alliance for Progress in the 60s, oil crisis in the 70s and Washington Consensus in the 90s).

Chapters 2 and 3 reveal the historical dimension of taxation. In chapter 2, Ryan Saylor looks into the interests of debtor coalitions (i.e. those who borrowed money to pay for war). He contends that during the War of the Triple Alliance, Argentinian and Brazilian debtor coalitions where dominant landed elites based at the economic and political centres of the country (cattle ranchers from Buenos Aires; coffee plantation owners based in São Paulo and Rio de Janeiro). Their entrenched interests in the export economy proved dysfunctional for the creation of local extractive institutions.

Saylor addresses one key variable in the literature of development: the role of elites in leading change. It persuasively reveals the mechanisms of the well-established narrative that argues that state-building in Latin America diverted from the European pattern. A description of the counter-factual (i.e. of debtor coalitions that financed war with local resources) showing the incentives, the institutional context and the state-building outcomes would add some clarity to the argument. Without this, readers that are new to economic history will not fully understand why Latin American societies had dysfunctional debtor coalitions while European societies did not. How and why do other self-interested elites get to produce pro-social outcomes (i.e. modern states)?

In chapter 3, Aaron Schneider argues that fiscal and federal structures depend upon the way elites insert the state in the

international arena, and one mechanism for insertion processes is fiscal and federal reforms. Schneider amalgamates taxation and federalism, two usual suspects that do not normally come abreast in contemporary fiscal sociology. The author highlights the explanatory capacity of federalism for understanding elite interaction: "Successful federal bargains are essential to the infrastructural power of the state to promote development" (p. 60).

Schneider portrays fiscal federal bargains as critical junctures with long-term effects on institutional design. When fiscal and federal bargains diverge, one reform will undermine the other by means of an unfair distribution of resources or uneven expansion of state capacity. He then traces four periods of fiscal federal bargains in Brazil to argue that periods of coincident reforms succeeded in catapulting the country into a mild "developmental state".

Chapters 4 and 5 show the transnational dimension of taxation. In Chapter 5, Gómez, Kacef and Morán describe the economic features of international insertion of Latin American countries: high dependence on the extraction of non-renewable resources by a concentrated economic sector. The effect of such insertion is a high unpredictability and volatility of the fiscal policy. This chapter represents the most traditional approach to taxation: tracing historical trajectories based on solid macroeconomic evidence but with little regard for the socio-political underpinnings of such trajectories.

Chapters 6, 7 and 8 revolve around the relational dimensions of taxes. This approach is the best demonstration of the *symptomatic significance of taxation to unveil social structure*. The chapter on gender bias by Rodríguez and Águila is especially interesting in demonstrating that “the non-existence of explicit gender bias in the legislation [...] does not imply that there are no gender bias at all” (p.177). Authors show that gender inequality in the Argentinian tax structure is mainly a matter of overrepresentation of men in the elite classes that get special tax discounts and of women in single-parent households that do not have access to the double-parent tax benefits. This coincides with other studies on gender and taxation that pinpoint inequalities overlooked by men, e.g. the exclusion of sanitary towels from the VAT exempt products in Colombia and overtaxation of the predominantly female Flea Market Traders in Zimbabwe.

In chapter 7, Castañeda argues that the interplay among businessmen, Presidents and policymakers in the context of economic liberalization is what accounts for the “quick-fix” tax reforms (as opposed to structural reforms) in Colombia. In these reforms, targeted VAT exemptions and personal and corporate income tax discounts benefit elite interests, generally contrary to the interest of middle- and low-income classes. Castañeda argues that these small tax reforms are the result of the increased pluralism and political representation issuing from the liberalization wave of the 90s, which granted new interest groups with agenda-

setting power. This seems to explain why a plethora of individual and corporate interests are amassed in nebulous reforms every two years in Colombia. However, the political and economic liberalization process is not unique to Colombia and, to the best of my knowledge, not all liberalized countries in the region have resorted to quick-fix reforms. Therefore, this research could benefit from a more detailed explanation, possibly historically or transnationally based. For example, studies show that the institutional configurations of industrialized countries that are exposed to common paths (international influences) produce divergent patterns (tax regimes).

To paraphrase Mahon’s preface, much is expected from these scholars. Hopefully, this compilation will be used in many lectures that orbit around state, power, gender, elites, natural resources and the history of Latin America. The richness revealed in the multiplicity of approaches and research questions highlight the relevance of taxation as a privileged entry point to understanding society.