Book Reviews

Gustavo A. Flores-Macías, ed., *The Political Economy of Taxation in Latin America*. Cambridge: Cambridge University Press, 2019. Figures, tables, appendix, bibliography, index, 271 pp.; hardcover $ 99.99, ebook $80.

This edited volume tackles a crucial but neglected issue for the study of Latin American political economies. There is no question that taxation—that is, the amount of resources a state is able to extract from society and how this burden is allocated among different social actors—is at the center of distributive politics. Moreover, not only the level of taxation but also its structure (what type of taxes are collected from whom) speaks volumes about a number of larger concerns, including state capacity and the enforcement of formal rules and institutions. Yet in spite of its relevance, in the comparative study of Latin American political economies, we still lack a systematic and ongoing research program on the politics of taxation.

One can compare the state of this subfield with, say, the study of the politics of social policy expansion under the Left Turn: while on the latter issue a flurry of recent studies have tackled it from different theoretical and empirical perspectives, on the former one can find only a few (remarkable) stand-alone works over the years. A noteworthy merit of this important book is therefore to make a welcome first step toward the constitution of such subfield. It does so by bringing together scholars who, over the years, have made relevant contributions to the study of taxation in the region with others who introduce new perspectives on the topic.

The volume is motivated by a shared concern for the low levels of fiscal extraction in the region. Its stated goal is to inform efforts to strengthen tax capacity by moving from technical recommendations to a deeper understanding of the political factors that shape the fate of tax reforms. It consists of an introduction and a conclusion by the editor, Gustavo Flores-Macías, and eight individual articles. As a whole, it provides a thorough overview of the state of knowledge about taxation in the region.

In a nutshell, Latin American countries collect taxes below the level one would expect based on their wealth measured by GDP per capita. Tax structures are regressive and mostly based on indirect taxes or levies on easy-to-tax commodity sectors. There is also considerable variation within the region in the total amount of fiscal extraction. These traits, systematically addressed in the articles, are masterfully summarized in Flores-Macías's introduction, which constitutes a primer on the topic. In addition to describing Latin America's tax profile, his opening chapter situates the quest for strengthening fiscal capacities in the current context, characterized by the end of the commodity boom and new fiscal constraints on regional governments. The introduction also rises the key questions that structure the rest of the book: what explains the low extractive capacities and regressive tax structures that characterize states in the region; and what factors account for intraregional variation in tax collection?

The individual articles tackle these questions from a variety of theoretical and methodological perspectives. The book felicitously alternates comparative historical analyses of the evolution of tax structures in the region with large-*N* cross-sectional analyses to explore proximate causes of intraregional variation. In its theoretical and methodological pluralism, the book thus shows the interested reader a repertoire of perspectives from which these issues can be approached. The volume is structured to first present chapters studying the level of taxation and then those more focused on progressivity (17). An alternative way of organizing the reading is by dividing them into those articles that tackle the issues from a long-term or diachronic perspective and those that focus on more contemporary or synchronic causes. In this commentary we take this alternative approach.

Among the articles that take a historical perspective, James Mahon links the region's lack of tax progressivity—that is, the failure to raise income and property taxes—to early processes of state formation that, with a few exceptions, failed to consolidate a liberal state. Building on a fiscal contract perspective and on Kurtz's (2013) and Soifer's (2015) recent contributions, he argues that during the nineteenth century, landed economic elites allowed the imposition of taxes on property only when they saw the consolidation of a capable central state as advancing their own interests. In these few, exceptional cases, more secure property rights and a more capable state mutually reinforced each other to produce more effective income taxation. By the same token, the failure to consolidate a state able to protect elites' property rights in other cases would explain the regional norm of low direct imposition.

Economic elites and path dependence also figure prominently in Gabriel Ondetti's insightful comparative historical analysis of the levels of taxation in Brazil, Mexico (respectively, extreme cases of high and low tax collection), and Chile (a middle-of-the-road case). In an argument that resonates with Tasha Fairfield's work on contemporary tax politics (2015 and in this volume), Ondetti explains this variation in terms of what power resources economic elites could wield to deflect initiatives to increase taxes. Decisive in this regard were the strength and cohesion of business associations and whether there was an electorally competitive probusiness, center-right party. These instrumental power resources are, in turn, explained, in a path-dependent argument, by whether there was any historical episode of leftist government that radically threatened elites' property rights. When this happened, elites developed an enduring mistrust of state intervention and invested heavily in accumulating political resources, so as to keep state expansion in check.

Aaron Schneider also takes a long-term perspective on the regional tax outlier, Brazil, to argue that building the federal state's extractive capacities was an iterative process that required resolving several episodes of fiscal federal bargaining. Crucial for that process was how, in the context of shifting patterns of international economic integration, processes of fiscal centralization managed to accommodate regionally based economic and political elite interests. Fairfield makes a compelling case for why, in highly inequal societies, direct taxes on income and wealth are crucial to increasing fiscal capacities. To do this, in turn, requires overcoming business opposition. Fairfield succinctly presents the theoretical framework developed in her essential 2015 book, based on the categories of instrumental and structural power, to analyze how disinvestment threats and deliberate political action by business elites undermine possibilities for progressive tax reform. Her article also points out several promising areas for further research, including the question of to what extent popular mobilization, electoral incentives, and public opinion may thwart business opposition in the eyes of political elites, and what role (and through which mechanisms) money plays in Latin American politics.

The second group of articles tackles constant or proximate causes for the region's taxation profile. Fiscal reliance on levies on high-rent commodity sectors is widespread in the region. Francisco Monaldi addresses the recent wave of "resource nationalism" during the Left Turn (i.e., the enactment of a number of initiatives to increase the state's take from and control of the hydrocarbon sector) to argue that rather than by ideology, these decisions were driven mostly by sectoral structural and economic factors. Of particular importance to understanding the volatility of the oil industry's tax and regulatory regimes in the region is their lack of progressivity, which, in turn, depends on political elites' short-term horizons and the lack of state capacity to adequately monitor profits.

Marcelo Bergman's chapter inquires about tax compliance in the region. He finds that, in spite of a decade of prosperity linked to a favorable international environment, available data show no significant gains in compliance for the region's main taxes (VAT, payroll, and income taxes). Bergman proposes some thought-provoking hypotheses for these results. During the Left Turn, easy-to-implement taxes on commodities would have substituted for more demanding policy efforts to enlarge tax bases and address evasion. Narrow tax bases (which imply that whatever gains came in terms of tax collection happened in corporate taxes or income taxes on high salaries—i.e., in the formal economy already "visible" to the state) vulnerate the notion of horizontal equity, and thus undermine normative incentives for compliance; low state capacity to enforce tax laws and low trust in authorities to deliver public goods, in turn, undermine instrumental incentives to abide by the fiscal contract. Furthermore, in an argument that resonates with Alisha Holland's pathbreaking work (2015), populist governments' preference to refrain from enforcing tax laws on the informal economy to avoid imposing costs on their electoral bases, in what amounts to an alternative form of redistribution, would be the ultimate reason for the lack of gains in this realm.

Lack of horizontal equity or tax neutrality is the main theme of Mark Hallerberg and Carlos Scartascini's article. Tax systems that treat different goods, income sources, and sectors equally are more neutral and promote economic efficiency. The authors study whether a number of institutional and political variables correlate with reforms that either decreased or increased tax neutrality in Latin America between 1990 and 2004. Their data collection effort includes all initiatives that altered tax bases, introduced changes in personal income tax, or modified fiscal incentives targeted at certain sectors or activities. Their main finding is that an electoral system that promotes a personal vote (thus providing more room for particularistic exchanges) increases the chances of legislating tax incentives. Contrary to the expectation that center-left governments would implement more encompassing tax reforms, they also find that during that period, presidential ideology did not render either type of reform more likely. Instead, the main driver of reforms that broadened tax bases was banking crises.

A negative finding also concludes Juan A. Bogliaccini and Juan Pablo Luna's exploration of Latin American public opinion on taxation. The authors use LAPOP data to explore whether high levels of inequality map onto strong preferences for redistribution through progressive taxes, as most formal arguments on this relationship assume (Meltzer and Richard 1981; Boix 2003; Acemoglu and Robinson 2006). Their surprising finding is that only in a handful of cases are individual redistributive preferences structured by (i.e., correlated with) class position, short-term economic well-being, or political ideology. Moreover, there is no systematic relationship across the region between these factors and support for progressive taxation, but instead, clusters of countries in which some of them (or none at all) are relevant for preference formation. As the authors point out, however, high levels of support for redistribution across the region (which makes intergroup differences more difficult to find) and the limitations of available data (for instance, on partisan identification or on top income earners' preferences) put a cautionary note on these findings.

As a whole, the book offers as many answers as it raises new, intriguing questions. In his conclusion, Flores-Macías offers an insightful summary of the main findings and common threads and discusses tensions and research agendas that result from contrasting the individual articles among each other. This final chapter is a necessary read for drawing out the volume's broader analytical and policy implications.

In the same vein, we conclude this review by highlighting some tensions and questions that follow from the book. The first relates to what factor prevails in explaining Latin American countries' low fiscal extraction. In a heuristically useful simplification, the answer the volume proposes is, on the one hand, economic elites or business power, which deliberately deflect or obstruct tax imposition; or, on the other hand, endemic lack of state capacity, which hinders tax collection at both ends of the social ladder by means of loopholes for the wealthy and forbearance for the informal poor. This distinction matters because it has policy and political implications: in the first case, increasing tax capacity requires overcoming business opposition, which, as Fairfield and Flores-Macías suggest, leads to questions about political opportunity, policy design, and popular mobilization. In the second case, increasing state capacity requires, in addition to better enforcement, perfecting the fiscal contract by securing property rights to the elites, providing more quality public goods, and broadening tax bases to promote quasi-voluntary compliance. The political and policy agendas that follow from one or the other diagnosis, while not entirely contradictory, clearly diverge.

Which leads to a second observation: one surprising finding of the book is the seeming lack of relevance of ideology and partisan policy orientation for tax outcomes. This contradicts what we know about the consequences of the Left Turn for social policies; that is, on the spending side of redistribution. One possible answer to this inconsistency is that social policy expansion was financed with taxes on commodities during a time of extraordinary bonanza. There is some truth in this answer, but the articles also provide several hints that, if not always, in several cases, governments' ideology and policy orientation mattered. For instance, increases in VAT productivity (Bergman) and progressive tax reforms (Mahon) occurred more often under center-left governments. Even Hallerberg and Scartascini's negative finding, the only large-*N* test of this relationship in the book, corresponds to a period that preceded the general turn toward progressive policies in the region.

Another way to approach this relationship is by asking what motivates gains in fiscal capacity. The book offers three implicit responses: fiscal crises, statebuilding or developmentalist projects in which economic elites come to see fiscal capacity as a means for advancing their own goals; and attempts to address pervasive inequality by means of redistributive policies. In light of this last answer, it seems that the relation between government's ideology and programmatic orientation and tax outcomes in recent years merits some further empirical exploration—one that will probably follow in the footsteps of Fairfield's detailed case studies of tax policy episodes.

A third theme that emerges from the book is the idea that pervasive inequality does not translate into more effective progressive taxation, because of some failures along the political process that mediates structural conditions into policy outcomes. These failures may occur in the process of articulating inequalities into policy preferences (Luna and Bogliaccini) or in the legislative process that produces tax policy (Hallerberg and Scartascini). This intuition opens up a fascinating research agenda on the microfoundations and mechanisms that drive tax policy design and implementation. On the other hand, combined with Ondetti's and Fairfield's accounts of the role of business elites, it also leads to a more pessimistic forecast of the likely consequences of a more restrictive fiscal context. In effect, these political factors suggest that policy retrenchment, rather than strengthening of tax capacity, could be the most likely outcome of the current regional situation.

In sum, this important book is mandatory reading for anyone interested in the political economy of Latin America. The book summarizes the state of knowledge on the politics of taxation in the region and advances a wealth of arguments on factors that explain low fiscal extraction, lack of progressivity, and variable levels of tax collection across countries. In doing so, it takes a necessary and welcome step toward the consolidation of a systematic research agenda on the building of fiscal capacities, both by providing answers and by raising new, fascinating questions on this crucial issue. Because of its scope and the quality of the individual contributions, it should appeal equally to academic readers and policy practitioners, as well as to anyone interested in issues of distributive politics, state capacity, and the enforcement of formal institutions in the region.

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Kenneth P. Serbin, *From Revolution to Power in Brazil: How Radical Leftists Embraced Capitalism and Struggled with Leadership*. Notre Dame: University of Notre Dame Press, 2019. Photographs, 462 pp.; hardcover $60, ebook $36.99.

The dictatorial regimes of Latin America in the 1960s and 1970s have increasingly become the focus of research in recent years, especially in the disciplines of political and cultural history. There is still much to learn, particularly in the case of the regime that ruled Brazil between 1964 and 1985, often erroneously assumed to have been the mildest authoritarian experience of the region, but the field is clearly expanding. Some of the main recent works include *We Cannot Remain Silent: Opposition to the Brazilian Military Dictatorship in the United States* (James N. Green, 2010), *Speaking of Flowers: Student Movements and the Making and Remembering of 1968 in Military Brazil* (Victoria Langland, 2013), *Securing Sex: Morality and Repression in the Making of Cold War Brazil* (Benjamin A. Cowan, 2016), and *Politics in Uniform: Military Officers and Dictatorship in Brazil, 1960–80* (Maud Chirio, 2018), which collectively enrich our understanding of multiple facets of the transformative and deeply fraught social experiences that unfolded during the dictatorial years in that fascinating and complex country.

Competently adding to this list of relevant scholarly titles, in a long-anticipated book, Kenneth P. Serbin, a Brazilianist based at the University of San Diego, whose knowledge of Brazilian history stretches over different periods and covers diverse

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