

How Does Taxation Affect the Quality of Governance?

by **Mick Moore**

Reprinted from *Tax Notes Int'l*, July 2, 2007, p. 79

Special Reports



How Does Taxation Affect the Quality of Governance?

by Mick Moore

Mick Moore is a professorial fellow at the Institute of Development Studies and director of the Centre for the Future State in Brighton, U.K.

The author would like to thank Deborah Brautigam, Ben Dickinson, Max Everest-Phillips, Odd-Helge Fjeldstad, Anuradha Joshi, James Mahon, Richard Parry, Lise Rakner, Michael Ross, Carlos Santiso, Aaron Schneider, John Toye, Sue Unsworth, and Mike Weeding. Carlos Santiso and Julius Court provided helpful comments on an earlier draft. This article was originally published by the Institute of Development Studies in March 2007.

Copyright © Institute of Development Studies 2007.

I. Beyond Tax Policy

Most contemporary governments routinely use their taxation systems to get their hands on, and then spend, between 10 percent and 40 percent of national income.¹ That is a lot of money. There is

little doubt that taxing is one of the most important things that governments do. Correspondingly, it is widely agreed that it is important that governments should get tax policy right. When people debate and argue about tax policy, they mostly address some aspect of three big questions:

How much money should government gather as tax? It should be enough to meet public spending needs and contribute to fiscal stability, but not so much as to encourage the government itself to be wasteful or to appropriate money that could be better used in private hands.

How should the tax burden be distributed among actual or potential taxpayers? This issue may be argued either in terms of fairness in burden-sharing, or in terms of the potential instrumental advantages of using tax policy to help achieve other public policy goals, for example, encouraging businesses to locate in poorer regions or to invest in particular sectors, or actively redistributing income or wealth from one group of citizens to another.

How can the potential adverse economic costs of taxation be contained or minimized? Taxpayers tend to be alert to the costs that they directly incur,

¹In 1995-2000, average tax revenues, as a proportion of GDP, were 13 percent for low-income countries, 19 percent for

middle-income countries, and 36 percent for high-income countries (Baunsgaard and Keen 2005: 7).

(Footnote continued in next column.)

whether these take the less damaging form of complex and costly paperwork and record-keeping obligations, or the more malign form of harassment: arbitrariness on the part of tax collectors and the need to pay bribes.² If collectively well organized, taxpayers or their legislators may inquire into the efficiency of the tax administration itself. How much of the money that it raises is absorbed in the collection process? Economists also routinely focus our attention on the indirect costs of revenue raising — that taxing any activity almost inevitably discourages it. If, for example, a government chooses the easy option of raising most of its income by taxing coffee exports, it may be biasing the whole economy, in an inefficient way, against producing coffee for export. It is probably more efficient simply to spread the tax burden broadly.

These tax policy questions are very important. They will continue to dominate debate about taxation in most countries and to absorb the attentions of tax policy specialists. However, they are not the only important tax policy issues. In particular, there is a growing debate — focused on poorer countries and on governments enjoying large incomes from aid or from oil, gas, and mineral exports — that addresses a different and in some ways more foundational set of questions: not “What is good tax policy?” but “How does the taxation relationship between state and citizens itself contribute to the quality of governance?” The purpose of this article is to review this debate, to explain why it has arisen, and, above all, to answer the question: How does taxation affect the quality of governance?

II. The Taxation-Governance Connection

There is a long history to the idea that there is some strong, consistent connection between the ways in which governments are financed and the ways in which they govern. In particular, this is foundational to mainstream Anglo-American interpretations of the emergence of representative government and democracy in United Kingdom and the United States. The British narrative focuses on how, in a series of struggles with the 17th-century Stuart dynasty in particular, Parliament secured its long-term dominance over the monarchy by wresting control of public finances and restricting the sources of funding for the government bureaucracy, the armed forces, and the monarchy to money raised

²For recent survey information on these costs for a typical company in a wide range of countries, see PricewaterhouseCoopers and World Bank (2006) and World Bank (2006).

through tax and authorized by Parliament.³ The American story focuses on the rejection of British colonial authority in the 1770s after London violated a core principle of good government and tried to tax the American colonists without asking for their consent through a legislature in which they were represented. (“No taxation without representation.”) There is also a more theoretical tradition of academic work that links long-term changes in society and governance to changes in the ways in which states obtain the resources they need to govern. Its leading exponents also see close affinities between the dependence of governments on general taxation, modern capitalism, and liberal democracy.⁴

The notion that sources of government income might significantly shape governance has only recently entered into development policy debates.

The notion that sources of government income might significantly shape governance has only recently entered into development policy debates. It is still on the margins. The word “taxation” appears in the development literature mainly in the context of the kinds of economic policy discussions summarized in Section I. And those issues are generally believed to be specialized and technical and not to relate to core debates about the development process. Even those aid and development agencies noted for their capacity to generate and use policy research continue to produce major statements on governance that ignore revenue and taxation issues.⁵ One reason is simply the time it takes for a complex issue to be first raised by researchers and scholars, thoroughly debated, and then entered into policy agendas in an authoritative way. The earliest mention I have found in a development policy document of the significance of taxation for governance is in Deborah Brautigam’s discussion paper for the World Bank in 1991 (Brautigam 1991). That in turn reflected a growing academic literature. Two books have been especially influential in putting the issues on the agenda for academic historians and political

³Parliament authorized a quarter of the revenues raised by the British crown between 1560 and 1640, and 97 percent between 1689 and 1714 (Braddick 1996: 13).

⁴See especially Goldscheid (1958/1925) and Schumpeter (1918/1991).

⁵See, e.g., the World Development Report widely believed to have signaled the reconversion of the World Bank to the importance of effective states (World Bank 1997), and the new aid and development policy paper issued by the U.K. government (Department for International Development 2006).

Table 1. The Changing Importance of Sources of State Revenue

Source	Frequency in Later 19th Century	Frequency in Later 20th Century	Extent to Which the Revenue Source Typically Is “Earned” by the State in Terms of Organizational Effort
(a)	(b)	(c)	(d)
A. Prerogative revenues: the sale of permissions, titles, and public offices	Rare	Rare	Low
B. Seigniorage	Significant in some cases	Significant in some cases, but becoming rare by the end of the period	Low
C. Surpluses from monopoly control of trade in consumer goods	Occasional	Rare	Medium
D. Surpluses from state property	Significant in some cases	Important until recently in centrally planned economies (state-owned industry); currently infrequent	Medium to high
E. Surpluses from monopoly control of agricultural commodity exports	Occasional	Was common in many poor countries in midcentury, and then largely disappeared	Medium
F. Surpluses from export of natural resource products	Rare	Very important for a limited number of states	Low
G. Grants from other states or international organizations	Rare	Important for a large number of poor countries	Low
H. Broad taxation of citizens	Important, especially in wealthier countries	Widespread and dominant in wealthier countries	High

scientists, respectively. One is Charles Tilly’s (1992) comparative study of state formation in Western Europe. Tilly argues that instead of simply taxing coercively, rulers were motivated to bargain over taxation, state financing, and public policy with the people who controlled large amounts of capital; states tended to become more capable (especially in war) and more accountable and responsive to citizens. His final chapter on the implications for contemporary poor countries prefigures many of the arguments in this article. The second book is Kiren Chaudhry’s (1997) analysis of the effects of contrasting sources of public revenue — oil rents in the one case, and remittances from citizens working abroad in the other — on contemporary state formation, and especially on the development of state capacities in Saudi Arabia and Yemen. Here was a convincing explanation of how, over periods of years rather than of decades or centuries, changes in sources of public revenue could shape the apparatus of government, the ways in which state authorities interacted with societal groups, and state capacity.

It was on the basis of these kinds of evidence that some authors began to make strong claims about the centrality of the tax relationship to governance, with more or less emphasis on the notion that higher levels of taxation would bring forth more capability, accountability, or responsiveness on the part of governments.⁶ Like Tilly’s bold generalizations about historical patterns of European state formation, these assertions have generated critique and testing by other scholars.⁷ As always, the specialists validly pointed out that generalizations are only generalizations and that the detailed picture is more complex.⁸ More fundamentally, some researchers have

⁶See, e.g., Guyer (1992), Moore (1998), and a range of literature on the *rentier* state in the Middle East.

⁷The most rigorous attempts at statistical testing are by Ross (2004) and Mahon (2006).

⁸For some nuancing of bold claims about European historical patterns, see Ertman (1997) and Rosenthal (1998).

responded to the emphasis that I and others have placed on the potential “governance dividend” from taxation by pointing to the prevalence of more or less directly coercive taxation practices in poor countries.⁹ Recently, there has been a blending of interests between researchers working on the governance consequences of taxation and those investigating the political impacts of the “resource curse.” The issues are in many respects the obverse of one another: In some interpretations at least, the central political pathology of states rich in oil, gas, and mineral revenues is that they do not need to tax (Section V).¹⁰

In sum, there is now substantial research literature about the connections between taxation and governance. But the issue is still only on the margins of the development policy debate. This is not solely because it takes time for scholarly insight to percolate into policy. Some other causes lie in the “politics of knowledge.”¹¹ The reason that concerns me here is the ambiguity of the various overlapping propositions that have been advanced about the governance implications of taxation. The first objective of this article is to try to present the arguments clearly. The second is to evaluate their accuracy and relevance to policy. Before doing that, I provide a broad historical sketch of changes in sources of government income.

III. States and Revenues

What are states? Most concretely, they are sets of organizations, which typically are complex and dif-

⁹See especially Fjeldstad (2001); see also Bernstein and Lu (2003) and Juul (2006).

¹⁰The literature on the resource curse and *rentier* states is so large and growing so fast that it is not possible even to list all the main items here. Some of the classic original statements of the argument were by Mahdavy (1970) and Luciani (1994) on the Middle East and by Karl (1997) on Venezuela. Ross's (1999) excellent review of the literature is in some respects dated. For a more recent review, see Rosser (2006). One of the more interesting recent conceptual contributions is by Collier (2006). Note that this literature is vibrant because the resource-curse phenomenon became widespread only recently, after the big oil price increases of the 1970s transferred resources and rents on an unprecedented scale to producers of this subset of primary commodities.

¹¹All the wealthy, democratic states of the OECD have been almost entirely funded from broad taxation for many decades, including most of the period following World War II. There has not been enough variation among them in sources of government revenue to attract the attention of social scientists to the question whether revenue sources significantly affect governance.

ferentiated.¹² Those organizations need to be manned, equipped, provisioned, and coordinated. Governments need to command the services of a large number of people and acquire substantial material resources. Historically, states have depended on two main kinds of material resources, extracted from the societies over which they rule: conscript manpower, mainly for military purposes, and financial resources to pay the salaries of civilian and military personnel and to meet the other capital and recurrent costs of warfare and government (Levi 1997).¹³ Few present-day militaries depend significantly on conscript soldiers. Trained, experienced personnel are needed to operate modern weapons systems. Contemporary military capacity depends to a high degree on the financial resources to purchase costly equipment and to recruit and train the professionals to operate it. Money is the dominant material resource required by contemporary states.

From where do states obtain their money? Plundering other polities has long ceased to be a routine, significant source. Eight other sources have been important at different points in history:¹⁴

- *Prerogative revenues*, which is the sale of a wide range of permissions (to inherit or sell property, install glass windows, encroach on state forests, use the state's justice system, legalize documents), titles (peerages, knighthoods), or positions in the civil or military bureaucracies.
- *Seigniorage*, which is the revenue that governments obtain from their monopoly over the issue of currencies.
- *The surpluses that states obtain from monopoly control over wholesale or retail trade in consumer goods* like salt, alcohol, or tobacco.
- *Surpluses from state property*, notably royal estates (in agrarian societies) and, in more

¹²I like Theda Skocpol's definition: “Any set of relatively differentiated organizations that claims sovereignty and coercive control over a territory and its population, defending and perhaps extending that claim in competition with other states” (Skocpol 1992: 43). It is not very different from many other definitions within the Weberian tradition.

¹³For accuracy, one might add the extraction of in-kind resources, notably agricultural products. The omission does not affect the argument here.

¹⁴These categories of revenue sometimes overlap at the margin. I am classifying them with an eye more to the underlying political economy than to strict logic. Equally, one can debate the extent to which some of them should be classified as taxes or fees/charges.

industrial societies, public utilities (railways, ports, electricity) and state-owned industrial enterprises.

- The *surpluses that states obtain from monopoly control over the export of valuable agricultural commodities* like cocoa, coffee, tea, cotton, and sugar.
- The *surpluses that states obtain, whether through taxation, direct ownership, royalties, or other charges, from the location on their territory of enterprises extracting valuable oil, gas, or mineral export products.*
- *Aid and subsidies*, which are direct transfers from other states or international organizations.
- The *broad taxation of citizens and enterprises*, notably taxes on incomes, assets, property, payrolls, imports, exports, the internal movement of goods, persons (poll taxes), production and sale of specific commodities (excises), wealth transfers, business turnover, and sales or value added business taxes.

There are wide variations, over time and space, in the extent to which states depend on these different revenue sources. We can, however, make a few useful generalizations about the trends summarized in columns (b) and (c) of Table 1:

- Prerogative revenues have rarely been a major source of state income, especially not in recent centuries. Such devices — especially the sale of positions in public bureaucracies, which undermines state authority and revenue in the longer term — often have been a last resort in times of crisis. Stamp duties on contractual legal documents represent one of the few remaining significant revenue sources within this general category.
- Governments obtain some revenue from issuing currency (seigniorage). Currency represents a potential claim on the issuer. Not all claims are realized. Seigniorage is a significant income source only for brief periods of time when governments overprint currency and cause inflation. Over the last two decades, most governments have committed themselves to responsible macroeconomic and monetary policies and therefore cannot access this income source.
- Historically, governments have often obtained some income from monopoly control of the trade in basic consumer goods, including, classically, salt. For example, monopoly revenues from alcohol and tobacco provided between 18 percent and 27 percent of the Taiwanese national government's revenues in the 1950s and 1960s (Republic of China 1982: 160). These income sources shrink as economies become more diverse, complex, and open. They are rare today.

- Royal estates were major sources of state revenue in the medieval era. Large state-owned railway and postal enterprises funded some continental European states in the 19th century (Ferguson 2001: 57-58; Mann 1993: 381-389). Because they are unusually small and prosperous city trading states, contemporary Singapore and Hong Kong have been able to finance themselves largely from state property ownership, urban development, and managing port, transport, and other public utilities. Excepting these very unusual cases, own revenues tend to decline in importance as incomes increase and economies become more complex and interrelated: It becomes relatively easier to obtain revenue through taxation rather than through direct management of productive assets. The main exception in the 20th century lay in the centrally planned (communist) economies, in which governments funded themselves through direct control of most productive enterprise. Some elements of these systems remain in place in China, Vietnam, and North Korea, although the Chinese and Vietnamese governments are increasingly dependent on broad taxation.
- Between the 1950s and 1980s, the governments of many poorer countries used their control over the marketing and export of a wide range of agricultural commodities and exchange rate policies to extract substantial revenues and other resources from the rural sector (Bates 1977; Lipton 1977). This revenue source largely dried up in the 1980s and 1990s for a combination of reasons: the political economy of those countries that had experienced economic growth changed in favor of rural interests (Bates 1993; Moore 1993), the extraction undermined itself by severely wounding the goose that lay the golden eggs, and the widespread structural adjustment and economic liberalization that followed a series of international economic shocks in the 1980s deprived governments of many of their extractive tools.
- Surpluses from extraction or export of natural resource products have long been an occasional source of significant government revenue but became a major source of funding for many states only after the first oil price shock in the early 1970s. They have remained so since. That in turn reflects the combination of three main trends: the rapid growth in the dependence of modern industrial economies on oil and now gas for energy; declining international transport costs, fueled partly by containerization and other innovations that make it increasingly viable to trade bulk commodities over long distances; and continuing or growing international inequality in productive capacity and

incomes. Where it exists, the natural resource sector automatically becomes relatively important to economies that lack the capacity to add a great deal of value in manufacturing or internationally competitive service industries.¹⁵

- Grants (or concessional loans) from other polities have been an exceptional mode of financing states for most of history. They have been associated with direct influence of the donor over the recipient state. The picture was transformed after the end of World War II. The big expansion of foreign aid was initially motivated in part with geostrategic concerns around the Cold War. Strategic motivations have diminished since the end of the Cold War,¹⁶ the number of aid donors and aid channels has proliferated (Acharya et al. 2006; World Bank 2004: 206-207), and aid has increasingly been concentrated on the poorer countries. It now constitutes a major income source for many governments (Moore 1998).¹⁷
- Dependence on broad citizen taxation has steadily become a more important revenue source for most states recently. It is now the dominant income source for governments, except only for those that enjoy large revenues either from natural resource exports or from aid.

In sum, broad taxation, surpluses from natural resource exports, and development aid are the dominant income sources for contemporary states. Most governments depend heavily on broad taxation, some combine this with surpluses from natural resource exports or development aid, and a few live mainly on surpluses from natural resource exports.¹⁸ In column (d) of Table 1, these eight main revenue sources are classified in terms of the organizational effort that they require of states. How much energy do they need to devote to recruiting,

managing, or supervising the agencies that actually collect the revenue and to reshape society and the economy to enhance taxability?¹⁹ These simple categorizations indicate a polarizing trend in recent decades: Contemporary states depend on some mixture of revenue sources that typically either require a high organizational effort (broad taxation) or a low one (surpluses from natural resource exports and development aid). Those revenue sources requiring an intermediate level of organizational effort have become less significant since the later 20th century.

IV. Taxation and Governance?

In contemporary development debates, the term “governance” is used variously to refer to outcomes (the effective provision of collective goods) and to the political processes that generate these outcomes: the manner in which state elites acquire and use their power and authority.²⁰ There is no professional consensus on the operational definition, roots, or measurement of good governance. There are two important conceptual and theoretical underpinnings to the argument in this article.

Dependence on general taxation provides incentives for state elites and taxpayers to resolve their differences through bargaining.

The first is a powerful and simple, but often implicit, model of the political process — the notion of state-society tension and balance — that constitutes “an important theoretical foundation for much political science” (Gervasoni 2006: 5). The core proposition is that political regimes are the outcome of tension and conflict between (a) elites who control the state and wish to remain in power and to exercise that power as freely as possible, and (b) societal actors who want to place restraints on the power of a potentially overweening state, either to protect themselves from despotism and depredation or as a strategy for obtaining power themselves. Revenue is central to this conflict for two reasons. First, it represents a key strategic resource for state elites. If nonstate actors can limit and control elites’ access to revenue, they enjoy countervailing power in relation to the state. Second, if state elites need to

¹⁵Conversely, even large natural resource extraction sectors comprise only a small proportion of national economies, such as Norway, that otherwise are very competitive in manufacturing and services.

¹⁶With some obvious exceptions, such as Egypt, Israel, and North Korea.

¹⁷Very high levels of dependence generally reflect large aid inflows following natural disasters or internal conflicts. In 2004, official development assistance exceeded 70 percent of total government expenditure in Burundi, Sierra Leone, Afghanistan, Malawi, Mozambique, the Democratic Republic of Congo, Ethiopia, and Nicaragua (Ben Dickinson, OECD, DAC, private communication).

¹⁸Governments obtain income from resource exports through many channels, and official accounts are often incomplete or misleading (Mahon 2006: chapter 2). We do not therefore have a reliable, comprehensive data series.

¹⁹This is a modification of my earlier concept of earned income, which referred to both the political and the organizational or bureaucratic efforts that states put into raising revenue (Moore 1998).

²⁰I am not dealing with nonstate governance in this article.

Table 2. The Effects on Governance of State Dependence on Broad Taxation

Immediate Effects	Intermediate Effects	Direct Governance Outcomes
A. The state becomes focused on obtaining revenue by taxing citizens.	(i) The state is motivated to promote citizen prosperity	More responsiveness
	(ii) The state is motivated to develop bureaucratic apparatuses and information sources to collect taxes effectively	More bureaucratic capability
B. The experience of being taxed engages citizens politically.	(Some) taxpayers mobilize to resist tax demands or monitor the mode of taxation and the way the state uses tax revenue	More accountability
C. As a result of A and B, states and citizens begin to bargain over revenues and exchange willing compliance by taxpayers for some institutionalized influence over the level and form of taxation and the uses of revenue (that is, public policy).*	(i) Taxes are more acceptable and predictable, and the taxation process is more efficient	More responsiveness and political and bureaucratic capability
	(ii) Better public policy results from debate and negotiation	More responsiveness and political capability
	(iii) Wider and more professional scrutiny of how public money is spent	More accountability
	(iv) The legislature is strengthened relative to the executive (assuming one exists)	More accountability

* Bargaining is especially likely if representative institutions (legislatures) already exist.

depend on general taxation because they lack alternative and easier revenue sources, they generally have to put considerable organizational and political effort into obtaining the revenue and face strong incentives to bargain and negotiate, directly or indirectly, with at least some taxpayers, rather than simply extracting revenue forcibly. In other words, dependence on general taxation provides incentives for state elites and taxpayers to resolve their differences through bargaining.

The second conceptual-theoretical underpinning to this article is that taking into account the realities of patterns of governance in contemporary developing countries, we can usefully think of good governance as having three main operational dimensions, which tend to complement and reinforce one another:²¹

- The *responsiveness* of states to citizens, that is, an orientation to meeting citizens' needs.²²

²¹This also happens to be the analytic framework adopted in the U.K. government's new aid and development policy paper (Department for International Development 2006).

²²The concept of responsiveness is silent on the question of how much power citizens might enjoy. Responsive governments are concerned with citizens' needs but have autonomy to shape those needs and to decide to which they prefer to

- The *accountability* of states to citizens, where this implies the existence of institutionalized mechanisms — of which electoral democracy is the most important and thoroughgoing — through which state elites both answer to citizens for the ways in which they employ their authority and may be rewarded or sanctioned by extensions or curtailments of that authority (Schedler 1999).
- The *capability* of states to determine and respond to citizens' needs and wants, which in turn has two complementary dimensions:
 - the *political capability* to determine needs and to frame and nurture bargaining and compromise among competing interests; and
 - the *organizational or bureaucratic capacity* to settle on sensible policies, to deliver public services, and to enforce the authority of the state.

For a range of contextual and historical reasons, many governments in developing countries rank

respond. The notion that citizens have power to express their wants, as opposed to their needs, is central to the concept of accountability.

(Footnote continued in next column.)

relatively low on all these dimensions of good governance (Moore 2004). Increases in responsiveness, accountability, or capability are welcome, and tend to go together: More of one generally means more of the other.²³

There is no one-line — or even single-paragraph — explanation of how state revenue sources and taxation affect governance. Why? One set of reasons is essentially methodological: It is hard to get the right data and sort out complex interactive political processes. In particular:

- Even the simplest models of the political processes around taxation involve two main categories of actors: state (or state elites) and societal groups of various kinds. Some researchers focus more on how states respond to different sources or levels of revenues, and others emphasize the response of societal actors to attempts to tax them.²⁴ Any realistic understanding of the processes requires that we (a) go beyond the initial reactions to taxation of each type of actor and take into account the ways in which they then interact, whether conflictually, cooperatively, or in more complex ways; and (b) explore the likely diversity of interests and behavior within our “state” and “society” categories.
- Taxation and revenue are but one set of factors that influence the responsiveness, accountability, and capability of states. In explaining actual cases, we also need to take account of the other factors, including those that tend to strengthen or weaken democracy.
- We have neither the data on revenue sources nor the clear operational measurements of broad concepts like state responsiveness or state capability that we would need to rigorously explore alternative answers to our central question. It is particularly unfortunate that even basic data on sources and uses of public revenue tend to be especially sparse or unreliable for governments that depend on both foreign aid (Moore 1998: 110-119) and natural resource exports (Mahon 2006: chapter 2).

The second set of reasons for the relative complexity of the taxation-governance connection is that it has several dimensions. We need to examine at least four different issues:

- From where do governments get their revenues? (Section V.)

²³See, e.g., Kaufmann et al. (2006).

²⁴See, e.g., Ross’s work (2004) and most of the literature he cites.

- How much of their incomes do citizens pay in taxes? (Section VI.)
- Who and what is taxed? (Section VII.)
- How are taxes assessed and collected? (Section VIII.)

V. Sources of Revenues

Let us begin with the contrast between governments that depend (largely or entirely) for revenue on earned income in the form of broad taxation and those that depend on unearned income,²⁵ from either aid or natural resource exports. What are the consequences for governance of being dependent on taxes? We can build up a model of the political implications step by step. It is summarized in Table 2.

Let us first look at two of the more direct effects on the state itself (Section A, Table 2):

First, rulers dependent on taxes have a direct stake in the prosperity of (some or most of) their citizens because that improves rulers’ future income prospects. They therefore have incentives to promote that prosperity.

Second, dependence on taxes promotes bureaucratic capacity. Broad taxation, to a far greater extent than either aid or natural resource revenues, obliges the state to invest in the creation of a relatively reliable, uncorrupt, professional career public service to assess and collect dues and then hand them over to the state treasury.²⁶ Equally, it necessitates the creation of reliable records of taxpayers, their activities, and assets, and it provides the state with a wide range of information that it might use for a variety of purposes, from improving the quality of policymaking (Brewer 1989: especially chapters 4 and 8) to undercutting support for rural guerrillas (Odon 1992).

But what about the effect on citizens of being taxed (Section B, Table 2)? We cannot say much on this until we know how citizens interact with the state over taxation. But we can assume that the experience of being taxed will engage them politically. They tend to try to organize to resist taxation or ensure their tax money is well used. Unless the

²⁵For the basis of this distinction, see Moore (1998).

²⁶Brewer’s (1989: 101-114) account of the organization of the Excise Department in 18th-century Britain illustrates this line of argument vividly. Perhaps the best contemporary scholarly research on this issue — and on the broader question of how revenue sources shape states — has been done on Saudi Arabia and Yemen by Kiren Chaudhry (1989, 1997).

sole response of the state is crushing repression, these reactions tend to increase the accountability of government.

It is in Section C of Table 2 — the interaction between state and society over taxation issues — that we enter into some of the most interesting territory. The primary point is simple: There are several reasons why rulers and taxpayers might enter into productive bargaining around taxation, to their mutual benefit, in ways that improve the overall quality of governance. The potential direct benefits to this revenue bargaining are:

- If the state and taxpayers can reach agreements on what taxes will be levied, at what levels, and how, tax demands become more predictable, taxpayers are more likely to comply with them, and both the economic and the political costs of taxing are reduced. With better knowledge of likely future obligations and revenues and protection against arbitrary levies, taxpayers could feel more secure in making economic investments, and rulers could undertake long-term fiscal planning more effectively.
- Having a forum in which revenues are exchanged for policies encourages the search for policies that are beneficial to both governments and citizen-taxpayers.
- The degree of effective public scrutiny of how public money is spent is likely to increase.²⁷
- If a representative legislature already exists, it will be strengthened by becoming a major forum for the bargaining about the exchange of revenues for policies. If it does not exist, rulers will be motivated to establish one to find an organization representing taxpayers with which they can regularly and reliably negotiate.

The likely outcome of these direct effects of revenue bargaining is a considerable improvement in the quality of governance in all dimensions. But how likely is that outcome? Will the logic in the model translate into reality? Below, I provide the evidence that it does. But, at least in the contemporary world, it does not translate into reality directly, fully, and unambiguously. There is no one-to-one relationship between tax dependence, revenue bargaining, and good government. We can revert to deductive logic to understand the reasons. The model I have presented above is too simple. It is based on the history of the emergence of parliamentary government in Western Europe, especially Britain and the Netherlands in

the 17th and 18th centuries. In three important respects, the institutional environment in which contemporary governments tax and spend is more diverse than that faced, for example, by the Stuart kings of 17th-century Britain.

In the 17th century, taxation was dominantly for purposes of funding the preparation or fighting of wars. Most public expenditure was on the military (Brewer 1989: 40; Mann 1993: 373). The politics around public expenditure were relatively uncomplicated. They focused to a large degree on foreign policy issues about alliances and warfare, because that is what mainly shaped the size of states' revenue demands. Military contractors were an interest group, but not a very large one, and they tended to be very much in the parliamentary eye. In other words, the activities and concerns of taxpayer-based interest groups dominated fiscal politics. By contrast, most contemporary states routinely spend a great deal of money on a diverse range of activities less immediately pressing than war, including education, healthcare, roads, electricity and other infrastructure, pensions, social assistance, research, statistics, and subsidies of various kinds to industry and agriculture. These expenditures might advantage many people, either in their roles as direct beneficiaries or in their roles as public-sector employees dispersing these expenditures. Significant, complex interest group politics take place around public expenditure. We cannot easily predict how far, over any public policy issue, Joan Smith will identify with, and therefore vote or campaign in, her role as an actual or potential taxpayer, direct beneficiary of public expenditure, or state employee. Fiscal politics are more complex than in the 17th century, and other concerns might trump taxpayers' "natural" focus on economy and efficiency in public spending.

Taxpayers as a category tend to be more diverse in contemporary poor countries than in 17th-century Britain and for that reason alone are less likely to engage in collective action on behalf of all taxpayers. Most contemporary states preside over complex taxation regimes, characterized by a diversity of different taxes, a wide variety of rates, an abundance of exemptions, and ambiguity in legislation or assessment procedures. The tax regime itself may influence the potential for taxpayers to engage in collective action in a variety of ways.²⁸ For example, distinctively different taxes, levied on very different bases, might lead to political conflict between one

²⁷I like Paul Collier's concept of sovereign rents: "that part of public revenue over which there is no effective scrutiny" (Collier 2006: 1484).

²⁸The underlying analytic framework is polity-centricity — the observation that the nature of public policy arenas, public programs, and the public organizations that implement those programs help shape the ways in which citizens engage politically (Skocpol 1992: 47-60).

group of taxpayers and another. Alternatively, a complex taxation system with a variety of discretionary exemptions might motivate taxpayers to pass over collective action and to engage instead in individualized strategies to solve their problems (for example, through bribery or employing expert tax advisers). In many poorer developing countries, a few large transnational corporations provide a large proportion of the more accessible potential tax bases. They have strong incentives to negotiate individually with government and to influence both tax legislation and its practical application by the tax administration. The political and organizational dimensions of taxation may vary widely depending, for example, on whether the target is a few large companies or myriad informal petty traders.

The dependence of governments on unearned income is likely to have adverse effects on their accountability, responsiveness, and capability.

In historical Europe, governments had little scope to resort to loans as a means of avoiding confronting and bargaining with their own taxpayers, because the social contract with taxpayers was the basis of low-cost borrowing. Financiers would lend at lower rates of interest to governments that had good prospects of repaying; and governments subjected to parliamentary control of finance were more likely to repay because their big taxpayers were committed to the revenue-raising system, parliamentary scrutiny would reduce the chances that revenues would be wasted, and sometimes the people who made the loans also sat in Parliament.²⁹ By contrast, contemporary governments tend to borrow heavily internationally, both in commercial markets and, in the case of the poorest countries, on concessional terms from international organizations like the IMF and the World Bank. Borrowing on international markets gives governments some autonomy from their taxpayers. By using privileged information about complex financing alternatives and by shaping perceptions of what economic and financial policies are inevitable or desirable, governments have some scope to present their legislatures with international borrowing agreements that are done deals —

²⁹Some historians have seen this capacity to raise loans on the strength of a tax base guaranteed by the central role of parliaments as the key to the emergence, in historical Europe, of powerful, successful fiscal states (Brewer 1989).

too complex for legislators to challenge.³⁰ However, this partial autonomy that governments enjoy in relation to their own taxpayers might be bought at the expense of dependence on the IMF. The governments of many poor countries need the approval of the IMF to access international loan markets on reasonable terms. In some cases, the IMF has assumed what many would see as the historic role of taxpayers-in-assembly:

One might take the IMF to be acting as a kind of upper house or appropriations committee “representing” Latin American taxpayers with its combination of sufficient expertise to design tax legislation and sufficient power to deny critical resources to the executive. [Mahon 2004: 26]³¹

In sum, the material in this section points toward two conclusions. First, a mixture of historical and deductive arguments suggests that the dependence of governments on unearned income is likely to have adverse effects on their accountability, responsiveness, and capability. Second, there are other factors that influence this relationship in contemporary poor countries: Their fiscal politics are sufficiently diverse and complex that the causal sequences are unlikely to emerge with the same immediacy and clarity as they are sketched out in Table 2. What is the evidence for the validity in contemporary poor states of the classic causal sequence from dependence on broad taxation to better governance?

For reasons shown in Section IV, it is often difficult to test the key propositions in a rigorous fashion. However, the more immediate source of our partial ignorance is that it is only in very recent years that much effort has been put into the testing. We are less ignorant now than we were a few years ago and have a range of contemporary evidence. This includes:

- Country case studies of the malign governance effects of dependence of states on unearned incomes from resource exports (especially Karl 1997; Chaudhry 1989, 1997; Vandewalle 1998).
- Strong quantitative evidence, based on cross-national statistical analysis, that large oil and

³⁰I am grateful to James Mahon for giving me access to his draft (Mahon 2006) that details this point.

³¹Mahon points out that as the representative of creditors, the IMF has an interest in a strong taxation system so creditors can be repaid. However, it may at times favor the interests of bondholders if they come into conflict with those of taxpayers (Mahon 2004: 26) to the extent that the IMF sometimes appears responsible for squeezing poor country taxpayers by insisting that governments meet demanding revenue targets.

mineral revenues are associated with low levels of democracy and with states unbound by law.³²

- Somewhat more mixed and contested evidence from cross-country statistical analysis about the impact of high levels of aid dependence.³³

³²There is continuing debate about both the possible causal mechanisms between enjoyment of “point” natural resource revenues (oil, gas, minerals) and the quality of governance, and the data and statistical methods for testing those relationships. There is no fully adequate survey of the fast-growing research literature, although Ross (1999) and Rosser (2006) cover much of the ground very well. I will restrict myself here to comments on two main issues. The first is that there are different underlying hypotheses about how resource wealth affects governance. For example, some theories concentrate on the issues discussed in this article: the implications of not having to tax. Others deal with a complementary but distinct issue: the extent to which governments with large incomes from natural resources can buy off opposition and thus keep themselves in power (Collier and Hoeffler 2005). I suspect the literature has underplayed the implications of greed and threat: Governments sitting on large mineral wealth want to stay in power and naturally assume that plenty of other people are keen to displace them, probably by force. That motivates high expenditures on military, police, intelligence services, the general militarization of politics, and exclusionary governance. These different causal sequences are consistent with one another and might all be operating simultaneously. It is difficult to test that in any rigorous manner. Part of the reason lies in the second issue on which I comment — the problem of measuring the size of the natural resource curse. Most studies use the only data series that has been available until recently — some measure of the value of mineral resource production or exports as a proportion of total national income or exports. But those are not the right things to measure. The theories tell us we should be measuring rents, that is, the proportion of the sales value of a product that remains after all production and marketing costs, including some allowance for normal profit, have been accounted for. Rents may be very high on some natural resource extraction activities. It may cost only a couple of dollars — a small fraction of its sales price — to obtain a barrel of oil from beneath a desert. Conversely, a high proportion of the sales price of a barrel of Norwegian oil represents real production costs out in the North Sea. The proper measure of the likely political impact of natural resource wealth would begin with the rents, not sales value. Collier and Hoeffler (2005) have used World Bank data to create just such a data base. For that reason we trust their conclusions, from cross-national statistical analysis, that natural resource wealth tends consistently to depress the level of democracy. However, even studies using the more easily available measures of resource wealth point in the same direction: Ross (2001) and Mahon (2006).

³³For example, Remmer (2004) finds that aid tends to discourage governments from taxing, and Brautigam and Knack (2004) find that high dependence on aid tends to degrade the quality of governance institutions over time. By contrast, Moss et al. (2006) review a range of literature on the topic and find unproven the case for the malign effects of aid on governance. One likely reason for the ambiguity of the statistical results is explored by Collier (2006). Aid has multiple and variable dimensions that are often disguised

(Footnote continued in next column.)

- Easter’s (2002) persuasive comparison of the evolution of taxation and governance in Poland and Russia after the end of the Soviet system. Russia continues to depend for revenues on a relatively small number of very large enterprises, many of them now private or state-owned energy firms. There is little public political debate around taxation, and certainly nothing like a social contract: Most taxes are raised coercively, and “raids” by tax collectors and tax police are commonplace. By contrast, the Polish government could not depend on a few big taxpaying enterprises. It had to tax employees and small firms, and it gradually extended the tax net to a large proportion of the population. Taxation has become a standard topic for political bargaining and debate.

Country comparisons are always hard to interpret; so many other things vary between any two cases. The most convincing evidence on the connections between tax dependence and governance is now emerging from comparisons between subnational governments within the same countries. Gervasoni (2006) has looked at the political history of 21 of Argentina’s provinces from 1983 to 2003. They depend substantially — but with significant inter-province variations — on fiscal transfers from central government and, in a few cases, local revenues from the oil extraction industry. Gervasoni found that the provinces most dependent on broad taxation of their citizens had historically been more democratic. When provincial governments were most generously supplied with financial transfers from central government or oil revenues, local political leaders had been better able to buy off or suppress competition from democratic oppositions. Hoffman and Gibson (2006) have compared 105 district governments in Tanzania, a country in which local revenue raising is often coercive (Fjeldstad 2001). When district populations have the greatest potential economic mobility, and therefore the widest scope to flee from coercive local taxation, district governments spend higher proportions of their revenues on providing services for their citizens and less on themselves. In different ways, both studies provide evidence for the balance of power hypothesis: When local governments face the strongest pressures to finance themselves by coaxing rather than extracting revenues from their citizens,

when we measure it in aggregate value terms. In some contexts, it is validly understood as an inflow of “free” financial resources into government coffers. In others, it comes in the form of specific goods or services (for example, technical assistance) or hedged with all kinds of conditions, restrictions, or injunctions about the ways in which it will be used.

they are more likely to rule democratically (Argentina) or to spend money providing services to citizens (Tanzania).

VI. How Much Do Citizens Pay in Taxes?

The conclusions in Section V are based on an analysis of the effects of alternative sources of government income on the motivations and behavior of the state, taxpayers, and the two interactively. The potential causal interactions are many and relatively complex, especially because states face choices between taxing broadly and thus engaging with citizens, and exploiting unearned revenues, which require them to engage with a narrow range of other actors — aid donors or a small number of large companies, public or private, in the oil, gas, and minerals sector. The question of how heavily governments tax citizens is distinct and conceptually less complex. We need to think mainly of how the level of revenue demand might impact the political actions of taxpayers. To the best of my knowledge, no one has tried to track in detail this process for individual countries. And we know that the political implications are not straightforward. Increases in the tax take are unlikely to occur in isolation. They will generally result also in increases in public expenditure, which might in turn intensify the processes through which the politics around public expenditure “confuses” the politics around revenue raising.³⁴ However, there are good, logical reasons, as summarized in Table 2, to believe that the more of their income they pay in tax, the more citizens are likely to be politically engaged in and demanding of the government. We also have anecdotal evidence that marked increases in the level of tax burdens mobilize taxpayers (Winters 1996: chapter 4), as well as recent statistical evidence indicating that increases in revenue demands precede by only a few years shifts toward more democratic and liberal governance.³⁵

In sum, there is compelling evidence that the dependence of states on unearned income is likely to have adverse effects on the quality of governance and that the overall level of taxes does help mobilize citizens politically.³⁶ But before we draw too-firm

³⁴In addition, one should separate a tax increase that leaves a taxpayer out of pocket from an increase that is compensated by an improvement in the quantity or quality of public services (Ross 2004).

³⁵See the original research by Ross (2001) and some reformulations with modified data by Mahon (2006).

³⁶One has to be careful about the kinds of quantitative evidence used to support this argument. The work by Ross and Mahon cited in the previous footnote is valid because it
(Footnote continued in next column.)

policy conclusions, we need to look at our third and fourth questions: Who and what is taxed? And how are taxes assessed and collected?

VII. Who and What Is Taxed?

I have so far talked in general terms, using broad categories like “taxes,” “taxpayers,” and “citizens,” which need to be disaggregated to understand specific cases. Many contextual factors affect the extent to which citizens are engaged and politically mobilized by particular taxes. I deal here only with two issues of particular importance to contemporary developing countries.

First, governments are more accountable and responsive to their citizens when dependent on them for revenue. Does that also imply that governments are only accountable and responsive to taxpayers — that is, those citizens who pay taxes? Is the policy implication that we should find ways of ensuring the poor are taxed to prevent governments being accountable and responsive only to the nonpoor, at the expense of the poor?³⁷ The answer to the last question is no. There are two reasons. The first is cautionary: We simply do not know enough about the effects of taxation on political behavior to justify this kind of experimental social engineering. The second is that there is good reason to believe that the entire polity and all social groups normally will benefit from greater state responsiveness and accountability to taxpayers, even if the taxpayers themselves are not poor. Why? Especially in countries with relatively fragile public institutions, politics is rarely the kind of rational public finance game that economists love to model, in which one particular definable group — for example, farmers — will be calculating in detail the benefits of, say, exchanging reduced coffee export taxes for a stronger legal commitment to employees’ rights.³⁸ The more that

deals with changes over a few years. But one could generate spurious statistical results by looking at cross-national data over longer time periods. We know that income levels are themselves major determinants of the level of democracy (Diamond 1992; Heo and Tan 2001; Huntington 1991; Londregan and Poole 1996; Przeworski et al. 1996) and the overall level of the tax take (Section IX). The richer the countries are, the more they are democratic and the higher the proportion of gross national product their governments raise in taxes. Variations in the tax take are therefore associated statistically with variations in the level of democracy. But it would be wrong to interpret that as a causal relationship when using long-term data series comparing countries at very different income levels.

³⁷In many poor countries, especially in Latin America, this is an irrelevant concern because the poor already pay more tax relative to their incomes than do the rich — albeit mainly in indirect taxes.

³⁸Moore (2003) and Landa and Kapstein (2001).

politics is like that, the more we should be concerned about the problem of accountability only to taxpayers, not the poor. However, in most of the countries with which we are concerned — the poorest, and those dependent on aid and mineral resource wealth — the pressure for governments to be accountable or responsive to taxpayers is likely to have more positive effects at a more basic level of the polity by encouraging the creation of the kinds of stable institutions and predictable political behaviors that are often in deficit. Poor people will normally benefit and rarely lose out when ruled by governments that, because they are dependent on general taxes, face incentives to coax rather than simply extract revenues from citizens, and therefore confront restraints on their power, are motivated to protect human and property rights, and understand that they and citizens share a common interest in economic growth.

Governments are more accountable and responsive to their citizens when dependent on them for revenue.

Second, if we perceive an intrinsic political value to taxation through its tendency to engage taxpayers and therefore mobilize them politically to confront and bargain with the state, should we then not recommend an emphasis on direct taxes, and regret the very rapid recent spread in developing countries of indirect VAT?³⁹ Another no. The reason is that, from a political perspective, VAT is a direct tax: It very perceptibly affects enterprises. Its introduction has been resisted strongly in some developing countries, mainly because of the visible bookkeeping burden it imposes on small businesses.⁴⁰ Once VAT is introduced, business and tax authorities tend to

be in continual negotiation over precise procedures and coverage and, in the case of exporters, timeliness of repayment of VAT export rebates.⁴¹

VIII. Tax Assessment and Collection

In Sections V and VI, I presented the positive effects of taxation on governance, and in Section VII suggested that we need have no great concern that the main kinds of taxes employed in poorer countries might be inappropriate to their role of mobilizing taxpayers politically in a constructive way. Unfortunately, we cannot leave the story here. Taxation has its dark side: It can be destructive as well as constructive in governance terms. The quality of governance in some countries would be improved if some taxes were simply abolished. In other contexts, major modifications in how taxes are assessed and collected would be desirable. The problem is the existence of what I term “coercive taxation”: assessment and collection conducted in ways that are likely to be validly perceived by taxpayers as arbitrary, extractive, unfair, or brutal.⁴²

Coercive taxation takes many forms. We can usefully think of a continuum, defined in terms of the degree of brutality and arbitrariness involved. At the harsh end of the spectrum, local government employees in rural China swoop down on a group of houses, drag out the household heads, demand that each make a contribution to the development levy, the veterans’ fund, the slaughter tax, the road construction fund, the land tax, the bicycle tax, the special products tax, the entertainment tax, the education fund, or any one of dozens of other charges, and beat those who cannot or will not pay and perhaps throw them in jail (Bernstein and Lu 2003). At the milder end of the spectrum, revenue authority officials turn up again at the offices of a large brewery and explain that while they have

³⁹At the beginning of this decade, VAT was in operation in about 130 countries and, despite not being used in the United States, generated around a quarter of the world’s total tax revenue (Ebrill et al. 2002).

⁴⁰For example, there was a long resistance from traders in India, including many strikes in the form of closure of retail outlets. It led to large-scale protests and to some riot deaths in Ghana and Uganda. Some of this resistance stems from a combination of bad political tactics on the part of government and a perception that is at least partly accurate that VAT is being introduced in poor countries at the behest of the international financial institutions. VAT was reintroduced relatively smoothly in Ghana once the government paid attention to political tactics and presentation (World Bank 2001). Even when it was first introduced in Europe, VAT was recognized to impose a heavy burden on smaller businesses because of the additional and relatively complex record-keeping obligations it places on them (Dossier 1981).

⁴¹The broader point is that the conceptual distinction between *direct* and *indirect* taxes was originally political and has only more recently been redefined by economists in questionable theoretical terms: The actual burden of direct taxes is alleged to be met by the person or enterprise that hands over the money to the tax collector, while, it is claimed, the burden of indirect taxes can be passed along the chain of economic transactions until it is borne by the final consumer. VAT may be the first widely used tax that is clearly direct on one criterion and indirect on the other. From that perspective, it is no surprise that in his statistical investigations of the political dimensions of taxation in contemporary poor countries, Mahon (2006) in Chapter 6 found no evidence that the political effects of direct taxes were different from those of indirect taxes.

⁴²The argument in this section is made in more detail in Moore (2006). For contemporary accounts of coercive taxation in developing countries, see Bernstein and Lu (2003), Fjeldstad (2001), Juul (2006), and Prud’homme (1992).

collected corporate and payroll taxes once for this quarter, they are behind with the collection targets set by their bosses, that they would like some more money, and that it really would not be in the company's interests to refuse to pay, not least because it can always be shown that the company has been evading some kind of environmental, health, or employment regulations. These kinds of coercion are all too widespread. Why? There is a formal answer: Taxpayers have few rights. But why do they have few rights? I don't have a complete answer, but I can see five reasons why public authorities in developing countries are motivated to tax coercively.

Taxation is always potentially coercive.

First, taxation is always potentially coercive. State agents have authority to require citizens to hand over money, with no firm guarantee of reciprocity, in situations when they are perceived to have little or no choice. For various historical reasons, states are often powerful relative to most citizens in many poorer countries (Moore 2004). State agencies may face relatively few constraints in how they treat citizens. To some degree, it is not so much coercion in the tax relationship that demands explanation but its absence. Why should tax officials not ask for 10,000 shillings and agree then to drop the official demand to 6,000 shillings in exchange for a bribe of 1,000 shillings?

Second, the structure and organization of economies matters. It is difficult to actually collect taxes from low-income agrarian economies organized in small enterprises that lack formal, bureaucratic structure and operate without extensive use of banking systems and written or electronic records of economic transactions, and to collect without resorting to arbitrariness and coercion. In low-income, agrarian economies, tax gathering tends to be coercive and conflictual, and the overall tax take tends to remain low.⁴³ Look at the logistical advantages enjoyed by tax collection agencies in wealthier contemporary economies. Four factors facilitate their task

and help to explain the historical shifts from levying taxes on specific items (salt, tobacco, carriages, landed property, houses, individuals) to levying them according to accounting categories (especially income, value added, sales, turnover, and profits rather than simply asset values):

- Extensive written and electronic records of economic transactions help collectors to hunt down their quarry accurately and to create effective checks against misappropriation within the tax bureaucracy itself.
- The relative insulation of most economic transactions and incomes from seasonality or the weather makes it feasible to collect most taxes in regular installments over the course of a year.
- The widespread use of banking and other indirect systems of money transfer reduces the need for tax collectors to meet personally with most taxpayers.
- The prevalence of bureaucratically organized economic enterprises provides opportunities to place the collection process on the impersonal and quasi-automatic basis that underpins most contemporary company taxation and employees' pay-as-you-earn systems.

Compare that process with collecting taxes in poor, agrarian societies. Most taxable units are small, so the overhead costs of collection tend to be high. Farm incomes tend to be seasonal and unstable, so collections are occasional and erratic. The dearth of records of economic transactions and the limited use of banking systems encourage face-to-face interaction between taxpayer and tax assessor or collector and oblige the latter to make discretionary decisions about tax liabilities that cannot easily be independently validated. Because a relatively large proportion of revenues are eaten up in collection costs, tax administrations are unwilling to separate the roles of assessing liabilities from actual collection.⁴⁴ The man who tells you what you owe also gets his hands on the money. Because it is not easy to assess tax liabilities according to broad accounting concepts like income, capital, turnover,

⁴³That is partly why historians quickly tend to associate taxation with agrarian revolt. One of the more robust statistical findings in social science is that both over time and cross-sectionally, official tax collectors in richer countries, and especially in countries with a relatively small agricultural sector, succeed in capturing higher proportions of national income for the government. For recent statistical evidence on this point, see Cheibub (1998), Fauvelle-Aymar (1999), Piancastelli (2001), Remmer (2004), Ross (2001), and Stotsky and WoldeMariam (1997). The statistical relationship was identified and labeled Wagner's Law as long ago as 1877.

⁴⁴The separation of assessment activities from collection and the assignment of different offices or people to each have been central to the construction of noncoercive taxation systems (for example, Brewer (1989: 101-114) and Daunton (2001)), and are important components of many contemporary tax reforms. In explaining why the Chilean tax administration is so much more efficient than its Argentine counterpart, Bergman points out that in Chile, one department collects and manages the money while another assesses liabilities and enforces the law. In Argentina all these powers are concentrated in the same department of the tax agency (Bergman 2003: 622).

value added, or profit, taxes tend to be attached to specific goods or services. There is then a wide range of potential taxes in law, increasing the scope for collectors to squeeze taxpayers.⁴⁵ These logistical factors endow tax collectors with considerable discretionary power, facilitate corruption and perhaps extortion, increase the leakage of tax revenues into private hands,⁴⁶ generate resentment and tax resistance on the part of taxpayers, establish taxation as the issue of choice for political rebels, and make it practically and politically difficult for governments to appropriate a high proportion of national income through taxation, especially direct taxation.

Third, the economic structure of poor agrarian societies is conducive to coercive taxation for another and more directly political reason. One of the dominant themes in the study of the political economy of taxation is that potential tax gatherers have strong incentives to bargain with, rather than to coerce, potential taxpayers whose main economic assets are mobile and might be either hidden, withdrawn from production, or moved to another political jurisdiction. Poor agriculturalists in relatively densely populated localities are highly immobile in all senses: They cannot easily find land or citizenship elsewhere, it is not easy to sell the land they have, they cannot afford not to produce, and without education or other capital, their prospects of earning a good living elsewhere are bleak. They are therefore prime victims for predatory tax collectors.⁴⁷

⁴⁵Local governments in contemporary agrarian societies often levy a wide range of taxes and charges (Bernstein and Lu 2003). Central governments have sometimes done so in the past. In 1952, when Taiwan still had a large agricultural sector, a range of relatively minor taxes, including a slaughter tax, a household tax, a salt tax, an amusement tax, and a feast tax, collectively accounted for 16 percent of central government revenues. By 1981, when per capita incomes had increased by about 500 percent, some of these taxes had been abolished, and the remainder accounted for only 2 percent of revenue (Republic of China 1982: 29 and 159-160).

⁴⁶To deal with this problem, there are no satisfactory general alternatives to intrabureaucratic monitoring. In some contexts, rulers have preferred tax farming, that is, the privatization of collection. However, the image of the greedy, oppressive tax farmer has thoroughly penetrated public consciousness, and the practice has almost disappeared from the modern world. In 18th- and 19th-century Britain, the use of lay assessors was one means of guarding against extortion by tax bureaucrats (Daunton 2001: 200-201), but using taxpayers in these roles would inevitably tend to reduce collection levels (Brewer 1989: 100).

⁴⁷Comparing district governments in Tanzania, where coercive taxation is widespread (Fjeldstad 2001, Fjeldstad and Semboja 2001), Hoffman and Gibson (2006) have recently demonstrated that the more potentially mobile the populations are, the more likely they are to receive services in return for their tax payments.

Fourth, as far as poor people are concerned, the more predatory tax collectors are often not the central government agencies that raise most of the tax revenue but the employees of small-scale local governments. Along with the police, armies, and various unofficial armed groups who man road-blocks, these local government employees are often the only public officials who find it worthwhile to put effort into squeezing taxes out of the poor. Some of the reasons have been given above — the coercive potential inherent in the tax relationship and the paucity of juicy tax bases in poor agrarian societies. We can add in a set of interrelated phenomena characteristic of many poor countries: Government is relatively centralized; central tax agencies target the more lucrative tax bases, leaving local rural administrations with little to work with; the recent fashion for decentralization has justified unfunded mandates — that is, devolving service delivery responsibilities to local governments without providing commensurate financial resources; and local governments are often almost entirely unregulated and thus free to act tyrannically.

There is no clear dividing line between mildly coercive taxation and the firm enforcement of the law. Perceptions of the same event may differ radically.

Our fifth and final point takes us up from the local agrarian environment to the global level. It is sometimes claimed that in some poorer countries under the influence of the IMF, central government tax administrations raise money coercively because they are under pressure to meet annual revenue collection targets agreed with the IMF (Gloppen and Rakner 2002). The truth is elusive. The IMF has a duty to try to ensure that governments raise revenue to repay loans or to maintain macroeconomic balance. It is possible that tax administrations choose to exaggerate IMF pressure to excuse or justify extractive taxation, especially extraction from those businesses that are large enough to constitute lucrative revenue sources but do not enjoy special political protection. We know that in many poor countries, national tax administrations tend to focus on a relatively small number of medium and large formal-sector businesses and largely ignore the others, including large, growing urban informal business activities.⁴⁸ It is not clear how true it is that some politically influential big companies get

⁴⁸In Tanzania, with a total population of more than 35 million people, 286 large taxpayers pay almost 70 percent of (Footnote continued on next page.)

off lightly.⁴⁹ There seems to be some kind of vicious circle in operation in some countries at least: Tax administrations find it hard to tax the informal sector and the politically influential wealthy, not least because their staff are reluctant to expose themselves to the dangers and hardships involved;⁵⁰ they therefore focus on the medium and larger companies that are on their books, but not politically protected; and apparent pressure to meet IMF revenue targets provides a good excuse for squeezing their normal clients, often in the context of emergency campaigns to meet targets at the end of a financial quarter.⁵¹ This dynamic effectively deflects attention away from what should be a major revenue policy objective: expanding the tax base by reducing exemptions and bringing new taxpayers into the net. Those people who do pay tax see the system as unfair and are more likely in consequence to try to evade. It is not clear how big a role the IMF plays in this. But it does at least have the potential to worsen the situation. As I explained in Section VI, in some poor countries, the IMF in some degree substitutes for organized taxpayers in their traditional role as watchdogs over fiscal policy. The IMF has the power to undermine governance in the long term by encouraging, however unintentionally, tax

the domestic taxes. (The Tanzania Revenue Authority supplied Odd-Helge Fjeldstad with the data relating to June 2005.) The revenue base excludes many professionals, such as lawyers, doctors, and private consultants, as well as the more stereotypical poor informal sector enterprises. Fewer than 1 percent of the taxpayers pay more than 85 percent of the direct taxes levied in Peru (Mostajo 2004).

⁴⁹This seems to be part of some standard taxpayers' narrative about unfairness: We ordinary, decent people pay our taxes, but the big boys with political influence get away with not paying them, as do people operating in the small scale informal sector or the black market.

⁵⁰We know from various anecdotal sources that tax agency staff do not like to be given posts that take them away from working in lucrative positions and require them to make a great deal of effort to raise small amounts of money from very reluctant taxpayers. The latter posts are attractive mainly to local government staffs who lack alternative income earning opportunities. Staffs of central tax agencies want to stay where the money is, preferably working in an office environment. They do not want to tramp around crowded streets trying to locate and identify informal businesses, and face hassle and threats for what are likely to be meager pickings at the end of the day. I am especially grateful to Anuradha Joshi and Joseph Ayea for information from their research in Ghana.

⁵¹In his comparative study of Argentina and Chile, Bergman demonstrates the long-term damage to collection capacity that resulted from repeated "emergency" revenue-raising campaigns in Argentina (2003: 623).

collection practices that worsen relations between states and citizens. It is not clear how far it does this in reality.⁵²

There is no clear dividing line between mildly coercive taxation and the firm enforcement of the law. Perceptions of the same event may differ radically. Similarly, there can be genuine differences over whether tax administrations should always try to treat taxpayers gently for fear of generating resentment or whether a very firm hand is not best because it deters noncompliance generally, demonstrates the overall fairness of the system, and engages taxpayers politically and encourages them to mobilize around fiscal policy issues. One of the more successful cases of improved revenue systems in the past decade has been the South African Revenue Authority, which has considerably increased the overall tax take while providing a better service to taxpayers. It has used a variety of techniques, including the visible services of the "Scorpions" — a special investigatory and police force focused on corruption and organized crime — to deal with recalcitrant larger companies (Hlophe and Friedman 2002; Smith 2003). The fairer a tax system is generally believed to be, the more it is possible for the tax administration to take a tough approach with problematic taxpayers without doing political damage. In South Africa, there is a widespread and plausible perception that the increased revenue will be put to good use to repay the social debts of apartheid. Many poorer countries are not in this happy situation; much revenue is raised coercively, for no convincing purpose, with damaging effects on relations between states and citizens. To some degree, this is an inevitable feature of low-income economies. As I explained above, wealth and well-functioning markets make taxation easier. That is, however, only a part of the story. A range of policy and institutional reforms, including the simple abolition of some types of taxes, could reduce overall levels of coercion in the tax relationship.

IX. Conclusion

In contemporary poor countries, there are two big sets of policy questions about the relationship between taxation and the quality of governance. The first set relates to governments that do not need to

⁵²It is difficult to research these issues. There is almost no published research on the work practices and strategies of tax administrations. What does exist relates almost entirely to frontline tax collectors, not to their managers, and to local rather than to central revenue agencies. For some insightful recent exceptions, see Jairaj (2005) and Blundo (2006).

make much tax effort because they have large non-tax incomes from oil, gas, and mineral exports or from foreign aid. The consequent lack of dependence on citizens tends to consistently undermine the quality of governance. The second set relates to coercive taxation. This is widespread, and it undermines the quality of governance and leads to some rather brutal treatment of some poor people by others almost equally poor.

Fortunately, there are many policy changes that would improve the situation, and most could be made in small steps.⁵³ The greatest scope for immediate change lies with aid donors, especially when they promise to greatly increase the level of aid given to the poorest countries, most of them already highly aid-dependent. The evidence on the effect of high levels of aid on the quality of governance is ambiguous (Section IV). However, providing large aid volumes without taking steps to encourage the expansion of efficient domestic revenue-raising capacity in the long term is irresponsible. It would be hard for aid donors collectively to acquit themselves of such a charge. While many do support revenue reform projects, they collectively spend very little money on this activity.⁵⁴ None make clear statements linking aid to improvements in domestic revenue performance. Most prefer instead to emphasize the need for improved public expenditure management. One does not have to be a conspiracy theorist to realize that this emphasis on expenditure rather than revenue reform is in the institutional interests of donor agencies themselves. Especially in situations when many donors give general budget support, aid agency managers worry that corruption scandals in aid recipient countries will undermine political support for aid programs at home. Focusing their resources on scrutiny of public expenditures in recipient countries is a way of reducing this risk. An emphasis on revenue generation has no such political side benefits and might indeed invite awkward, skeptical questions about the need for aid in the long term. Similarly, despite the efforts of some intergovernment organizations, aid donors have been successful at keeping off the policy agenda the fact that aid inflows into developing countries enjoy exactly the tax exemptions that are decried by the IMF and

tax specialists. If donors trust recipient governments enough to give them general budget support, why do they not suggest that tax exemptions for their aid programs be withdrawn? This would not change the amount of money going to the recipient, but it would help develop the local apparatus for revenue raising and provide a fine example of practicing what one preaches.⁵⁵

Many senior tax administrators in developing countries see themselves as having a professional mission to free their countries from humiliating aid dependence. Value added taxes, which are now in place in most countries, are good instruments for raising more revenue fairly.⁵⁶ A range of other recent reforms provides the basis for making the changes to policy and practice required so that taxation can contribute more effectively to the quality of governance. Stimulated partly by the increasing influence of international associations of tax administrators and related professions, many tax administrations have been reorganizing and reorienting themselves to become more effective and more user-friendly, at least as far as larger taxpayers are concerned. The autonomous revenue authorities that have been established in many countries have, like many similar organizations, not lived up to the original, highly inflated expectations. They have generally contributed to creating more effective revenue systems. It has been orthodoxy for some time that tax policy should focus on widening the tax net, whether by reducing the number and variety of exemptions or by extending registration to a wider range of taxpaying businesses and individuals. There is already a substantial global expert consensus around possible and desirable tax administration and policy.

There are no great intellectual or organizational wars that need to be fought and won before governments and aid donors are in a position to change tax policies in ways that will improve governance: abolish some taxes, replace them with more modern and effective alternatives that can be levied less coercively, use widely known techniques to make the tax paying experience less coercive, and find national revenue sources to replace aid in the long term.

⁵³These issues are discussed in more detail in Fjeldstad and Moore (2006), in which we make some criticisms of conventional tax reform policies from a governance perspective.

⁵⁴Ben Dickinson of the OECD Development Assistance Committee has recently calculated that in 2004, official aid donors, excluding the IMF, spent US \$6.6 billion on support to improve government administration, economic policy, and public-sector financial management, and that only 2.7 percent of this went to projects that had a taxation component (Ben Dickinson, private communication).

⁵⁵The case for removing some of the tax exemptions for aid was recently detailed by International Tax Dialogue (2006).

⁵⁶VAT remains controversial, partly because it is widely believed to be regressive. However, the implementation of a VAT is so partial in many poor countries that the evidence suggests no general regressive impact (Gemmell and Morrissey 2005). A more complete and better-managed VAT can be made nonregressive by zero (or low) rating for consumer items that account for a high proportion of poor people's budgets.

References

- Acharya, A., A. Fuzzo de Lima, and M. Moore. 2006. "Proliferation and Fragmentation: Transactions Costs and the Value of Aid," *Journal of Development Studies* 42.1:1-21.
- Bates, R. 1993. "Urban Bias: A Fresh Look," in A. Varshney (ed.), *Beyond Urban Bias*, London: Frank Cass.
- 1977. *Markets and States in Tropical Africa. The Political Basis of Agricultural Policies*, Berkeley: University of California Press.
- Baunsgaard, T. and M. Keen. 2005. "Tax Revenue and (or?) Trade Liberalization," Working Paper WP/05/112, Washington: IMF.
- Bergman, M.S. 2003. "Tax Reforms and Tax Compliance: The Divergent Paths of Chile and Argentina," *Journal of Latin American Studies* 35.3:593-624.
- Bernstein, T.P. and X. Lu. 2003. *Taxation Without Representation in Contemporary China*, Cambridge, Mass., and New York: Cambridge University Press.
- Blundo, G. 2006. "Dealing with the Local State: The Informal Privatization of Street-Level Bureaucracies in Senegal," *Development and Change* 37.4:799-819.
- Braddick, M.J. 1996. *The Nerves of State. Taxation and the Financing of the English State, 1588-1714*, Manchester, U.K., and New York: Manchester University Press.
- Brautigam, D. 1991. "Governance and Economy: A Review," Policy Research Working Papers WPS 815, World Bank.
- Brautigam, D. and S. Knack. 2004. "Foreign Aid, Institutions, and Governance in Sub-Saharan Africa," *Economic Development and Cultural Change* 52.2:255-86.
- Brewer, J. 1989. *The Sinews of Power. War, Money and the English State, 1688-1783*, London: Unwin Hyman.
- Chaudhry, K.A. 1997. *The Price of Wealth: Economies and Institutions in the Middle East*, Ithaca, N.Y., and London: Cornell University Press.
- 1989. "The Price of Wealth: Business and State in Labor Remittance and Oil Economies," *International Organization* 43.1:101-45.
- Cheibub, J.A. 1998. "Political Regimes and the Extractive Capacity of Governments: Taxation in Democracies and Dictatorships," *World Politics* 50.3:349-76.
- Collier, P. 2006. "Is Aid Oil? An Analysis of Whether Africa Can Absorb More Aid," *World Development* 34.9:1482-97.
- Collier, P. and A. Hoeffler. 2005. *Democracy and Natural Resource Rents*, Department of Economics, Oxford, U.K.: University of Oxford.
- Daunton, M. 2001. *Trusting Leviathan. The Politics of Taxation in Britain 1799-1914*, Cambridge, Mass.: Cambridge University Press.
- Department for International Development. 2006. *Eliminating World Poverty. Making Governance Work for the Poor*, London: DFID.
- Diamond, L. 1992. "Economic Development and Democracy Reconsidered," *American Behavioral Scientist* 35.4/5:450-99.
- Dosser, D. 1981. "The Value Added Tax in the UK and the EEC," in A. Peacock and F. Forte (eds.), *The Political Economy of Taxation*, Oxford, U.K.: Basil Blackwell.
- Easter, G.M. 2002. "The Politics of Revenue Extraction in Post-Communist States: Poland and Russia Compared," *Politics and Society* 30.4:599-627.
- Ebrill, L., M. Keen, J.-P. Bodin, and V. Summers. 2002. "The Allure of the Value-Added Tax," *Finance and Development* 39.2.
- Ertman, T. 1997. *Birth of the Leviathan. Building States and Regimes in Mediaeval and Early Modern Europe*, Cambridge, Mass.: Cambridge University Press.
- Fauvelle-Aymar, C. 1999. "The Political and Tax Capacity of Government in Developing Countries," *Kyklos* 52.3:391-413.
- Ferguson, N. 2001. *The Cash Nexus. Money and Power in the Modern World 1700-2000*, London: Allen Lane, The Penguin Press.
- Fjeldstad, O.-H. 2001. "Local Government Tax Enforcement in Tanzania," *Journal of Modern African Studies* 39.2:289-306.
- Fjeldstad, O.-H. and M. Moore. 2006. *Tax Reform and State Building in a Globalized World*, Brighton, U.K.: IDS.
- Fjeldstad, O.-H. and J. Semboja. 2001. "Why People Pay Taxes: The Case of the Development Levy in Tanzania," *World Development* 29.12:2059-74.
- Gemmell, N. and O. Morrissey. 2005. "Distribution and Poverty Impacts of Tax Structure Reform in Developing Countries: How Little We Know," *Development Policy Review* 23.2:131-44.
- Gervasoni, C. 2006. "A Rentier Theory of Subnational Authoritarian Enclaves: The Politically Regressive Effects of Progressive Federal Revenue Distribution," paper presented at the annual meeting of the American Political Science Association, Philadelphia.
- Gloppen, S. and L. Rakner. 2002. "Accountability Through Tax Reform? Reflections From Sub-Saharan Africa," *IDS Bulletin* 33.3:30-40.
- Goldscheid, R. 1958 (1925). "A Sociological Approach to Problems of Public Finance," in R.A. Musgrave and A.T. Peacock (eds.), *Classics in the Theory of Public Finance*, London and New York: Macmillan (first published in Tubingen in 1925).
- Guyer, J.I. 1992. "Representation Without Taxation: An Essay on Democracy in Rural Nigeria, 1952-1990," *African Studies Review* 35.1:41-80.

- Heo, U. and A.C. Tan. 2001. "Democracy and Economic Growth: A Causal Analysis," *Comparative Politics* 33.4:463-74.
- Hlophe, D. and S. Friedman. 2002. "And Their Hearts and Minds Will Follow? Tax Collection, Authority and Legitimacy in Democratic South Africa," *IDS Bulletin* 33.3:67-76.
- Hoffman, B.D. and C.C. Gibson. 2006. "Mobility and the Political Economy of Taxation in Tanzania," paper presented at the annual meeting of the American Political Science Association, Philadelphia.
- Huntington, S.P. 1991. *The Third Wave: Democratization in the Late Twentieth Century*, Norman, Okla., and London: University of Oklahoma Press.
- International Tax Dialogue. 2006. "Tax Treatment of Donor-Financed Projects," discussion paper prepared by the International Tax Dialogue, Paris: OECD Development Assistance Committee.
- Jairaj, A. 2005. "The Political Economy of Commodity Taxation in Tamil Nadu," Masters in Philosophy Thesis, Queen Elizabeth House, Oxford University.
- Juul, K. 2006. "Decentralization, Local Taxation and Citizenship in Senegal," *Development and Change* 37.4:821-46.
- Karl, T.L. 1997. *The Paradox of Plenty. Oil Booms and Petro-States*, Berkeley, Calif., Los Angeles, and London: California University Press.
- Kaufmann, D., A. Kraay, and M. Mastruzzi. 2006. *Governance Matters V: Aggregate and International Governance Indicators for 1996-2005*, World Bank.
- Landa, D. and E.B. Kapstein. 2001. "Review Article: Inequality, Growth, and Democracy," *World Politics* 53.1:264-96.
- Levi, M. 1997. *Consent, Dissent, and Patriotism*, Cambridge, Mass., and New York: Cambridge University Press.
- Lipton, M. 1977. *Why Poor People Stay Poor. Urban Bias in World Development*, London: Temple Smith.
- Londregan, J.B. and K.T. Poole. 1996. "Does High Income Promote Democracy?" *World Politics* 49.1:1-30.
- Luciani, G. 1994. "The Oil Rent, the Fiscal Crisis of the State and Democratization," in G. Salame (ed.), *Democracy Without Democrats? The Renewal of Politics in the Arab World*, London and New York: I.B. Tauris.
- Mahdavy, H. 1970. "The Patterns and Problems of Economic Development in Rentier States: The Case of Iran," in M.A. Cook (ed.), *Studies in the Economic History of the Middle East from the Rise of Islam to the Present Day*, London: Oxford University Press.
- Mahon, J.E. 2006. "Revenue and Regimes," mimeo, Washington: Williams College.
- 2004. "Causes of Tax Reform in Latin America, 1977-95," *Latin American Research Review* 39.1:3-30.
- Mann, M. 1993. *The Sources of Social Power, Vol. 2: The Rise of Classes and Nation-States, 1760-1914*, Cambridge, Mass., and New York: Cambridge University Press.
- Moore, M. 2006. "Between Coercion and Contract: Competing Narratives around Taxation and Governance," mimeo, IDS, University of Sussex.
- 2004. "The Development of Political Underdevelopment," in G. Harrison (ed.), *Global Encounters: IPE, Development and Global Governance*, London: Palgrave Macmillan.
- 2003. "Arguing the Politics of Inclusion," in P. Houtzager and M. Moore (eds.), *Changing Paths: International Development and the New Politics of Inclusion*, Ann Arbor, Mich.: University of Michigan Press.
- 1998. "Death Without Taxes: Democracy, State Capacity, and Aid Dependence in the Fourth World," in M. Robinson and G. White (eds.), *The Democratic Developmental State: Politics and Institutional Design*, Oxford, U.K.: Oxford University Press.
- 1993. "Economic Structure and the Politics of Sectoral Bias," *Journal of Development Studies* 29.4:79-128.
- Moss, T., G. Petterson, and N. Van de Walle. 2006. "An Aid-Institutions Paradox? A Review Essay on Aid Dependency and State Building in Sub-Saharan Africa," Working Paper 74, Washington: Center for Global Development.
- Mostajo, R. 2004. *Prospects for an Integral Tax Reform With Equity: Towards a Fiscal Covenant for Peru*, Lima: DFID.
- Odon, W.E. 1992. *On Internal War. American and Soviet Approaches to Third World Clients and Insurgents*, Durham, N.C., and London: Duke University Press.
- Piancastelli, M. 2001. "Measuring the Tax Effort of Developed and Developing Countries. Cross-Country Panel Data Analysis — 1985/95," Discussion Paper 818, Rio de Janeiro, Brazil: Instituto de Pesquisa Economica Aplicada.
- PricewaterhouseCoopers and World Bank. 2006. "Paying Taxes. The Global Picture," Washington: World Bank.
- Prud'homme, R. 1992. "Informal Local Taxation in Developing Countries," *Environment and Planning C: Government and Policy* 10:1-17.
- Przeworski, A., M. Alvarez, J.A. Cheibub, and F. Limongi. 1996. "What Makes Democracies Endure?" *Journal of Democracy* 7.1:39-55.
- Remmer, K.L. 2004. "Does Foreign Aid Promote the Expansion of Government?" *American Journal of Political Science* 48.1:77-92.
- Republic of China. 1982. *Taiwan Statistical Data Book*, Taipei: Council of Economic Planning and Development.
- Rosenthal, J.-L. 1998. "The Political Economy of Absolutism Reconsidered," in Robert H. Bates, Avner Greif, Margaret Levi, Barry R. Weingast, and

- Jean-Laurent Rosenthal (eds.), *Analytic Narratives*, Princeton, N.J.: Princeton University Press.
- Ross, M.L. 2004. "Does Taxation Lead to Representation?" *British Journal of Political Science* 34.2:229-49.
- 2001. "Does Oil Hurt Democracy?" *World Politics* 53.3:325-61.
- 1999. "The Political Economy of the Resource Curse," *World Politics* 51.1:297-322.
- Rosser, A. 2006. "The Political Economy of the Resource Curse: A Literature Survey," IDS Working Paper 268, Brighton, U.K.: IDS.
- Schedler, A. 1999. "Conceptualizing Accountability," in A. Schedler et al. (eds.), *The Self-Restraining State. Power and Accountability in New Democracies*, Boulder, Colo., and London: Lynne Rienner.
- Schumpeter, J.A. 1918/1991. "The Crisis of the Tax State," in R.A. Swedberg (ed.), *Joseph A. Schumpeter. The Economics and Sociology of Capitalism*, Princeton, N.J.: Princeton University Press.
- Skocpol, T. 1992. *Protecting Soldiers and Mothers. The Political Origins of Social Policy in the United States*, Cambridge, Mass., and London: The Belknap Press of Harvard University Press.
- Smith, L. 2003. "The Power of Politics. The Performance of the South African Revenue Service and Some of Its Implications," *Policy: Issues and Actors*, 16.2, Johannesburg: Centre for Policy Studies.
- Stotsky, J.G., and A. WoldeMariam. 1997. "Tax Effort in Sub-Saharan Africa," Working Paper WP/97/107, Washington: International Monetary Fund
- Tilly, C. 1992. *Coercion, Capital and European States, AD 990-1992*, Cambridge, Mass., and Oxford, U.K.: Blackwell.
- Vandewalle, D. 1998. *Libya Since Independence. Oil and State-Building*, Ithaca, N.Y., and London: Cornell University Press.
- Winters, J.A. 1996. *Power in Motion. Capital and the Indonesian State*, Ithaca, N.Y., and London: Cornell University Press.
- World Bank. 2006. *Doing Business 2007: How to Reform*, Washington: World Bank.
- 2004. *World Development Report 2004: Making Services Work for Poor People*, Washington: World Bank.
- 2001. *Introducing a Value Added Tax: Lessons From Ghana*, PREM Notes 61, Washington.
- 1997. *World Development Report 1997: The State in a Changing World*, New York: Oxford University Press. ◆