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Taxation models in Latin America and their impact on inequality

Los modelos de tributación en Latinoamérica y su incidencia en la desigualdad

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Abstract. This article analyzes the Latin American taxation models, from the perspective of French regulation theory, and their impact on modes of accumulation and inequality. To this end, it studies the tax structures of Argentina, Colombia, and Mexico. It then analyzes both the institutional forms and modes of regulation and their relationship with accumulation regimes. It concludes that the States are not the only actors involved in the design of their tax policies, given their adherence to an international regime. Based on the interest in global economic transformations and their consequent regulatory models in the last century, this article provides a framework of analysis to understand how taxation models are established in Latin America, their motives, and problems.

Keywords: accumulation regimes; economic policy; fiscal policy; French regulation theory; institutional forms; social inequality

Resumen. Este artículo analiza, desde la teoría de la regulación francesa, los modelos de tributación en Latinoamérica y su incidencia en los modos de acumulación y la desigualdad. Para ello se estudian las estructuras tributarias de Argentina, Colombia y México. Luego se analizan tanto las formas institucionales como también los modos de regulación y su relación con los regímenes de acumulación. De allí se muestra que los Estados, dada su adhesión a un régimen internacional, no son los únicos actores en el diseño de sus políticas tributarias. Dado el interés en las transformaciones económicas globales y sus consecuentes modelos reguladores en el último siglo, este artículo aporta un marco de análisis para comprender la forma en que se establecen los modelos de tributación en Latinoamérica, sus razones y sus problemas.

Palabras clave: desigualdad social; formas institucionales; política económica; política fiscal; regímenes de acumulación; teoría de la regulación francesa

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Introduction

The ineluctable globalization phenomenon has united the previously divided by breaking the barriers of land and sea space, and time and regulation. It has been a topic of high value for modern researchers seeking to understand many of the contemporary social, political, and economic phenomena. This phenomenon has left indelible marks in humanity's recent history. For the most part, it has prompted different attempts of explanation in the economic sciences, which in most cases, end up being mere mechanisms to develop contingency policies to mitigate and control the much-feared financial crises. It has led the modern world to rethink the foundations of economic theory that currently underpin the improvement of economic policies in many countries, as warned by Boyer (1992), Aglietta (1976), and Lipietz and Vale (1988).

To understand the relationship between inequality, modes of accumulation, and taxation models, it is worth considering many contemporary economic theorists' attempts to prevent the reproduction of financial crises. From such attempts, it becomes clear that many of these crises are firstly caused by the effects of a lack of control in capital flow management, and deregulation or biased regulation. It is necessary to understand this as a political strategy to avoid the collapse of a starving capitalist system based on accumulation, which, for Habermas (1999), lacks the structural elements to subsist autonomously. Therefore, it cannot subsist detached from the deregulatory model promoted by the great world powers and inter-institutional bodies.

This research addresses the regulation of tax models in Latin America, based on a review of the official literature issued by different international organizations, scientific articles, and different governments' statistics. Thus, Latin American countries' cohesion with the international regime must be understood. Although these countries present some different features, few marked differences can be found concerning some taxes, their forms of collection, or the economic efficiency they generate.

The scope of this study is exploratory and descriptive. It aims to open the way for future research on structural changes in the economy and fiscal policy. It also shows the role played by French regulatory theory in the understanding and analysis of tax model transformations in a regulatory, macroeconomic context, in which a macroeconomy is conceived based on historical processes and not merely as a shift in general equilibrium (Boyer, 1992).

It should be noted that this paper's purpose is not to criticize the processes of reproduction of international tax regulation in Latin America. Instead, it aims to establish a series of guidelines for understanding the Latin American tax models' implicit dynamics and their impact on modes of accumulation and inequality. Thus, it seeks to “clarify the origin of the regularities that channel economic reproduction during a given historical period.” (Boyer, 1992, p. 54)

To this end, the characteristics of current Latin American tax models are described in this article, highlighting Colombia, Mexico, and Argentina, given the studies of regulationist authors from these countries, which are the basis for understanding and comparing the incidence of institutional forms within these structures. Lastly, the article presents French regulatory theory contributions to understand the reproduction dynamics of economic structures and accumulation regimes and the institutional forms affected by the application of these international taxation models. It should be noted that, in order to refer to the regulatory dynamics, “it is necessary that the relations that constitute the system have an internal logic of transformation” (Aglietta, 1976, p. 4) to characterize temporality as the strength of these movements.

Methodology

According to the research levels and designs proposed by Arias (2012), this article is descriptive because it gathers information to offer an understanding of an event or behavior. In this documentary research, data, sources, and documents were compiled and analyzed, creating an information base to contribute to the construction of new knowledge.

The focus of this research is qualitative-comprehensive. It describes the tax models in force in Colombia, Mexico, and Argentina to understand the regulatory dynamics implicit in these Latin American tax models and their impact on modes of accumulation and inequality.

It uses the French regulatory theory as the theoretical approach to establish the interrelations between the social, economic, and political, in a way that provides the necessary tools to determine the incidence of institutional forms on the implemented taxation models and how these help the persistence and reproduction of an established accumulation regime. The literature review conducted serves as a theoretical framework to approach how the social phenomena of inequality and poverty are constituted within a given tax system’s context from the perspective of constructivism (Berger & Luckmann, 2003).

In addition to the qualitative review, quantitative data was used to analyze the nations’ inequality, poverty, and income variables. These included the Economic Commission for Latin America and the Caribbean (ECLAC in Spanish), the Organization for Economic Cooperation and Development (OECD), the National Tax and Customs Administration (DIAN), and the World Bank. These organizations are highly relevant in the management of macroeconomic data, thus, offering validity and reliability.

Reproduction of economic structures, accumulation regimes, and their relationship with tax structures

Stiglitz (2003) states that one of the criteria that should govern regulation in tax matters is the proposed regulation's ability to achieve the greatest social development of the subjects that make up a society. Taxpayers transfer resources to the State with the sole purpose of having them administered using best management practices and transformed for collective social welfare, under the assumption of a taxpayer-State relationship of trust. Unlike other types of economic transactions, taxes are mandatory, not voluntary, allowing the State to turn its tax system into a tool for the reproducing and accumulating of capital for some or alleviating poverty and inequality for others.

Taxes' obligatory nature can be founded in Hobbes' (2015) contract theory. This type of imposition is necessary to civic life, forsaking the peril of living without social conventions, and guaranteeing that the sovereign power can exercise the necessary control to protect those who obey it. The relationship between sovereignty and obedience is in itself legitimized by the economic exchange that takes place through taxation. It constitutes a financing mechanism for the sovereign to guarantee the obeying protection from the dangers that disobedience to the civility imposed on society brings. Weber's (1979) studies on the monopoly of violence serve to understand the mechanisms of obedience to authority, which is established through imposed regulation that coerces the subjects' action through fear of the use of violence monopolized by the State.

In this sense, modern taxation is not far removed from its old contractual basis. In fact, its coercive ability is increasing. However, the extent of State-offered protection does not always follow the same progressive dynamic. This is the case in many Latin American states regarding their citizens' equal opportunities. According to a study carried out by the OCDE, CAF, and Cepal (2010), one of the main problems of the tax models imposed in Latin America is their inability to guarantee welfare. This lack of guarantees sends a negative message to voters. They believe that taxation is the only driver of new governments' economic proposals, ignoring industrialization, consumption capacity, technology development, and infrastructure.

Inequality and underdevelopment as effects of wealth accumulation

Inequality emerges from the State's inability to distribute the income obtained as fairly as possible and responding to an established set of needs. For Stiglitz (2003), the payment of taxes is a part of the taxpayer's daily work effort that goes to the State, which, in the end, is transferred in a monetized form, but which does not cease to be an effect of the work effort. The previous indicates that the taxpayer is, through work effort, one of the main actors sustaining the costs of the modern state and expects a reward in proportion to this work effort.

Given the contribution by a taxpayer's work effort to the State through taxation, inequality can also arise from the inequitable distribution of tax burdens with the workload on society. A family nucleus with less purchasing power paying the same amount of taxes as another with greater consumption power is less likely to accumulate wealth than its peers. "State action can affect the levels of income inequality in an economy in several ways." (Amarante & Jiménez, 2015, p. 25)

In 2017, the Gini coefficient for most countries in the region averaged close to 0.5 (Table 1), making Latin America one of the most disproportionate regions in the world compared to OECD countries, whose average for 2016 and 2017 was around 0.3 (Figure 1). In many cases, this inequality can be explained by the corruption that permeates redistributive policies or, according to Boyer (2007), some institutional forms' degree of relevance in the modes of regulation and incidence in unequal value distribution in society to maintain some current accumulation regime.

Table 1. Gini Coefficient for 2017 in Latin America

Country	Gini Coefficient (2017)
Argentina	0.42
Bolivia	0.45
Colombia	0.51
Costa Rica	0.49
Ecuador	0.45
Mexico	0.43
Panama	0.50
Paraguay	0.48
Peru	0.44
Uruguay	0.40
Average for the region	**0.46**

Note: Some Latin American countries were still without a Gini index by 2017.

Source: Created by the author based on World Bank development indicators (2018).

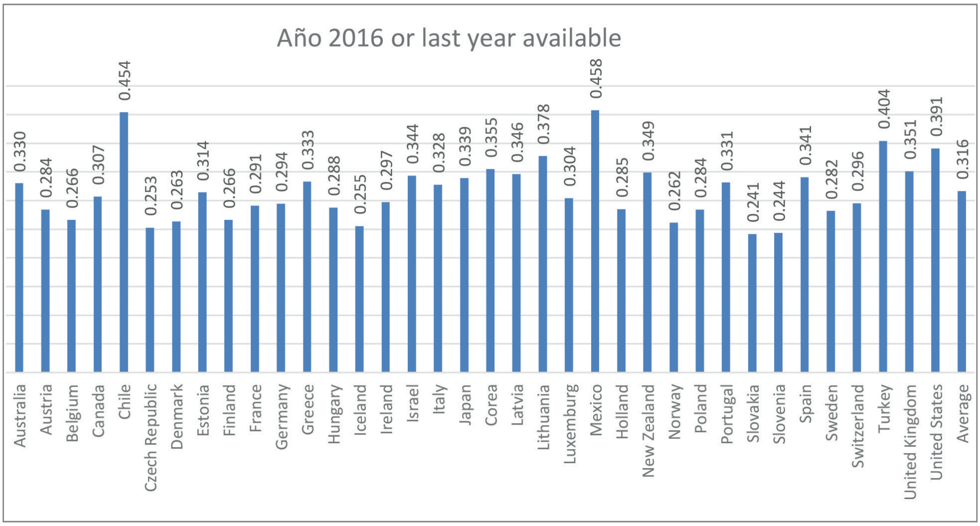

Figure 1. OECD Gini Index 2016 or latest available year
Source: Created by the author based on OECD income distribution indicators (2019).

In real terms, wealth distribution can be understood as the sum of the percentages of national income distributed for each population member. For Chang (2015), inequality, from a tax perspective, affects economic development. The attempt to protect those generating higher income through tax incentives and exemptions, under the assumption that they will invest more, obtaining greater investment returns that will end up in the nation's coffers in the form of taxes, is subject to the inherent parameters of uncertainty and risks in finance.

In his work, *Capital in the 21st Century*, Piketty (2013) describes the structure of inequality configured by three elements, work-derived income inequality, capital ownership inequality, and capital-derived income inequality. Regulatory dynamics can occur between work and capital-derived income that affect the inequality gap and influence taxation model construction. These models attempt to reproduce pre-established conditions to favor an economic regime, but in this attempt to reproduce regularities, they also reproduce underlying crises (Boyer, 2007).

There is a feeling of dissatisfaction in those providing part of their work effort to the State, instead of using these earnings to improve their quality of life. They expect minimum requirements, including better public services, infrastructure, increased quality of health services, and access to better education, among other things in return. "In 2016, 80% of Latin Americans said their government was corrupt, which represents a considerable increase since 2010 (65%)" (OCDE et al., 2010, p. 21). The taxpayers' perception regarding the destination of taxes is one of mistrust, given the inadequate management of their resources.

Amarante and Jiménez (2015) state, "public interventions redefine market-generated distribution through instruments such as taxes and transfers, mechanisms that have a direct impact on the distribution of household disposable income" (p. 25). The state can have a positive or negative impact on inequality. This impact is likely related to the government in power's political ideology. The above can help understand the mode of regulation established by a government and its intention to favor some accumulation regime's interests aligned with the ideology in force.

Accumulation regimes and their impact on modern taxation

Inequality results in excessive accumulation of wealth for some and dispossession and poverty for others. Globally, over-accumulation has reached the point where 1% of the world's population owns more than 50% of total wealth (Figure 2). This disparity implies enormous challenges for the modern economy and its ways of regulating the processes of accumulation.

In recent economic history, innovations for the transformation and improvement of consumption and production relationships have generated an intensification that has resulted in enormous growth rates and set the global pattern for production, distribution, and consumption worldwide. One of the most critical changes in the mode of production, which left an indelible mark on the economy, is the one known as *Fordism,* which consisted of a system of mass production of durable goods, a kind of standardization of production processes that generated dominance and growth in the Western economy (Filinich, 2016).

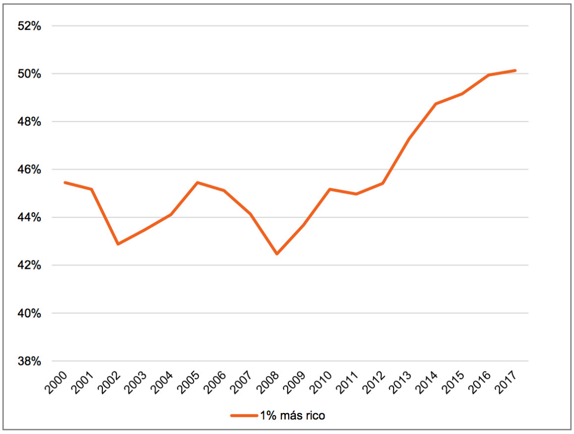

Figure 2. Percentage of global wealth of the richest 1% of the world's population
Source: Oxfam (2018) porque la crisis de desigualdad es una realidad.

The new Fordist productive system was one of the most significant regimes of accumulation in history. Chesnais (2003) defines a regime of accumulation as an

> Increase in the production means and capacities through investment and the extension of capitalist property and production relations to countries or sectors and social activities that are not yet subject to those relations. (p. 43)

Capital accumulation within a modern accumulation regime tends to separate from the generation of wealth produced by efficient management and production. Financial tools can show how financial capital is separated from the industry. As discussed by Orlean (2006), the generation of wealth becomes the product of the capture of money through loans and the interests they generate.

Boyer (1992) indicates that, throughout history, the regimes of accumulation have inherent characteristics that are far from the general trends established within the framework of Marxism. These characteristics explain the origin of some unprecedented global economic catastrophes and provide insight into the cycles of economic crises, each of which is distinct to an established regulation mode. For Boyer (2013), crises arise as an automatic and distinct adjustment inherent to the accumulation regime. They deepen inequalities in a society with the only intention of maintaining and spreading, regardless of the regime's inconsistencies and imbalances.

Figure 3 shows an accumulation regime configuration, which is given under two parameters, the accumulation character and its consumption mode. The cumulative nature of a regime depends on the nature of its domination, which can be *extensive* or *intensive*. Extensive accumulation implies obtaining as much space as possible regardless of the change in production technique, whereas the intensive depends exclusively on permanent innovation to obtain greater productivity. The consumption mode, whether or not integrated into capitalism, is what ultimately ensures the regime's validity, as it is the wage-earners that endorse a part of the consumption of production at a much higher value than obtained by their work effort (Boyer, 2007).

Thus, when production relations are framed within a regime of accumulation, they focus their subsistence on the best possible conditions to obtain incomes that allow an appropriate distribution of value among the different social classes. This distribution must be sufficiently adequate to allow the lower part of the social scale to consume and ensure its demand on the production's supply. Meanwhile, the wealthier part can continue to reproducing its capital, knowing that "the demand for a regime of accumulation is often supported by public expenditure." (Boyer, 2007, p. 66)

This is where taxation models play an important role and tend to be obsequent to the existing government's ideologies and its reproduction of some accumulation

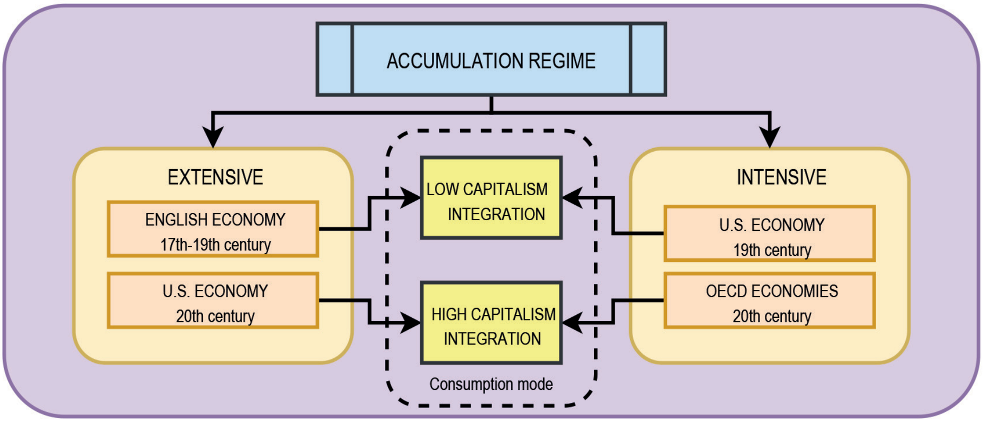

Figure 3. Accumulation regimes.
Source: Created by the author based on Boyer (2007).

regime. Given that there is an increase in public spending in developing countries that overwhelms their governments, the need arises for States to seek new income sources. The standard option is tax reform (Díaz & Carmona, 2018).

Taxation models end up adhering to the modes of regulation, to the needs of an accumulation regime. Regardless of equity and social welfare, the regulation modes meet the necessary qualities to satisfy any accumulation regime, mainly in a coercive and stimulating effort to allow the regime to reproduce itself. Thus, taxation models are defined according to the specific accumulation needs of the power groups behind the regulatory dynamics, as Lipietz (cited by Boyer, 1992) indicates.

Taxation models: the tension between efficiency and justice

From a teleological stance, taxation systems should fairly and proportionately contribute to society's economic development. To this end, they must have attributes that prevent increasing one group of people's well-being at the expense of another's. Figure 4 shows the general principles that any tax system should follow, according to Stiglitz (2003). They include efficiency, simplicity, flexibility, political responsibility, and justice. Together, they are the pillars that support a sound tax system.

The principles of efficiency and justice are addressed in detail below. These principles currently generate conflicts in the countries of the region's tax design systems, which can be mutually exclusive. An expeditious way to make the tax system more efficient would be to tax consumption equally regardless of income. However, because each individual's taxable capacity is different, this measure makes the tax burden more inequi-

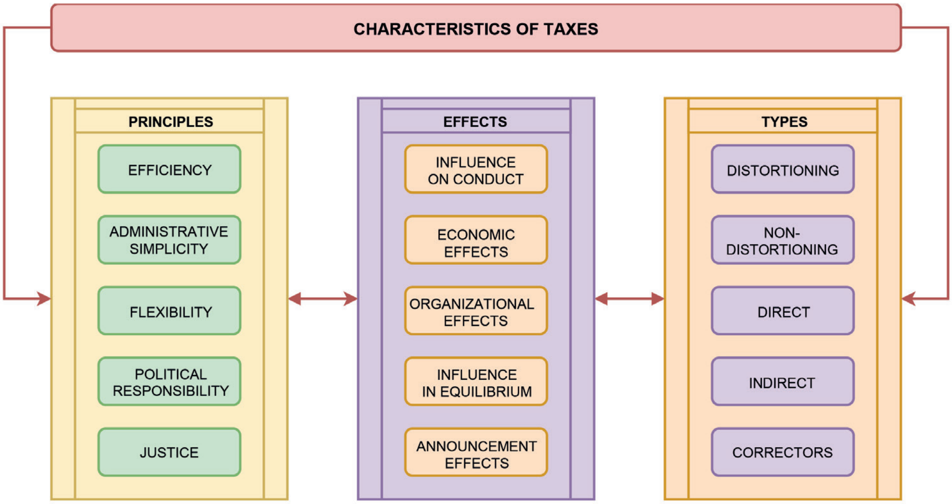

Figure 4. Characteristics of taxes.
Source: Created by the author based on Stiglitz (2003).

table. By contrast, a system based on justice, in which the tax burden is proportional to the taxpayers' income level, makes the collection of taxes less efficient (Lara, 2018).

The concept of *efficiency* has multiple meanings and uses in various fields of knowledge. However, Economics provides the most contributions, given the works of Edgeworth (1881), Pareto (1927), Kaldor (1939/2007), Hicks (1939), and Coase (1960). In the case of taxation, a tax's efficiency is designed by the costs involved in its collection, inspection, and control. The less the State spends in collecting the tax, the greater the tax's efficiency (Borda & Caballero, 2016).

Ronald Coase, one of the main referents on efficiency, says that "regardless of who has the rights, the first thing to look for is the solution that minimizes the social cost" (Calsamiglia, 1988, p. 303)[1]. This thesis implies the isolation of the equity imparting entities from the issues between the parties. The negotiation of rights becomes the key factor for a more efficient allocation of resources or less costly than a decision based on justice. The bias towards neoclassical economics is clear here as it is the theoretical source of the rationality thesis of maximum benefit at minimum cost. Moreover, the close relationship of indirect taxes with these precepts is evident.

According to Coase's (1960) essay on social costs, one of the main generators of high costs in the State's operation is the inefficiency of regulation and its application.

1 To delve deeper, it is necessary to understand Coase's theorem and the theory of transaction costs. In the latter, conflict negotiation between the parties leads to an optimal point of allocation of costs or, in this case, rights.

According to him, a more efficient solution is the State's little or no participation, especially in cases where the State does not offer more efficient solutions than the actors involved in the situation and context. However, it should be noted that there are situations in which the State can be the primary generator of efficiency to resolve conflict; this is the case of taxes.

One of the main arguments for saying that tax regulation is inefficient is its complexity. According to Stiglitz (2003), the management of different rates, the specifics of deductions, and the different types of taxes imposed on the taxpayer drive tax administration entities to implement control and taxation mechanisms, which, in many cases, generates costs that surpass the benefit of the taxes being monitored. This is especially the case for taxes known as direct taxes.

Like income tax in the Colombian case, direct taxes, should not be the tax base of tax systems given their inherent inefficiency and the high costs of their adequate collection. Instead, a system using consumption as the basis for tax collection generates higher efficiency in collection and greater justice, for some economists. The higher efficiency is due to the increased difficulty in evading the taxes. Because a person's income can be used for consumption or savings, if income is taxed, the taxpayer must pay on what is saved or not consumed. Therefore, taxing only consumption is more equitable and more fulfilling for the taxpayer that decides to save (Stiglitz, 2003).

Thus, an efficient tax system is a system that can mitigate evasion, avoidance, supervision, and, above all, that manages to reduce administrative costs generated by the collection of taxes and scrutiny of taxpayers. Therefore, efficiency is closely related to trust in the collection authorities, given that the intention of complying with the payment of taxes increases to the extent that trust in those who administer them increases (Batrancea et al., 2019).

Contrasting the defenders of efficiency theses, there are those upholding the principle of fairness, presided by Rawls, the creator of the theory of justice. Rawls (2006) proposes social justice as fairness as an alternative to utilitarian thought that governs modernity's different political spheres. Justice, as fairness, is at the base of the creation of his theory of justice, for which injustice is a product of inequality.

> Here, the intuitive concept is that this structure contains several social positions, and men born in different social positions have different life expectations, determined, in part, by both the political system and economic and social circumstances. Thus, the institutions of a society favor certain social positions over others. These are particularly profound inequalities [...], and yet they cannot be justified by appealing to notions of merit or demerit. It is to these inequalities in the basic structure of society, which are probably inevitable, that the principles of social justice must first be applied. These principles, therefore, govern the selection of a political constitution and the main elements of the economic and social system. (Rawls, 2006, p. 21)

Justice as fairness seeks to mitigate these inequalities, or, proposed otherwise, "social justice in a well-ordered society depends fundamentally on the way in which the rights and duties of every person are assigned, and the advantages and disadvantages of cooperation are distributed among its members" (Osorio, 2010, p. 148). Based on this, fairness is proposed as a priority over efficiency to promote society's orderly construction.

In the field of modern taxation, fairness plays a leading role in just taxation and the mitigation of inequality. It contributes to social acceptance and trust in the system. Because tax is adjusted to each taxpayer's economic circumstances, the contributor benefits from an effective and cohesive inclusion in the tax system's goals of sufficiency, which presents the tax system as a policy of wealth distribution and not as a coercive system of wealth extraction (Jiménez et al., 2010).

In this sense, efficiency-based regulation is neither sufficient nor adequate to the extent that it omits different social, political, and ethical aspects already discussed by the Neumark (1994) imposition principles. Therefore, a general acceptance of the imposed system that allows citizens to have certain fair wealth distribution guarantees without favoring specific economic sectors is necessary.

Tax structures of Colombia, Argentina, and Mexico: between homogeneity, crisis, and underdevelopment

During the 20th century, and so far in the 21st century, Latin America has been the setting to different economic, political, and social crises. Although it has overcome them, they have left permanent effects that have hindered its development capacity greatly. In the last fifty years, there has been a relative stabilizing of inequality, which is still high and deeply associated with inhabitants' income stagnation. Salama (2006) explains this trend towards stagnation as the result of a depletion of the benefits of the import-substitution industrialization model (known as the ISI model), as well as the increase in idle installed capacities.

In the early 20th century, Latin American economies began to implement models to accumulate the capital needed to modernize. The most widely used was the ISI model. It consisted of the intense protection and promotion of local industry development and investing in technologies and education to achieve a technological supply of goods and services to avoid dependence on imports. A realistic role was established, in terms of the State's international relations, "which implied not only the creation of protective conditions (high tariffs and para-tariffs) [...] for the accumulation of capital but also the creation of many of the actors necessary for the new model of development to take place." (Misas, 2002, p. 66)

This state interventionism in international relations generated significant frictions with the predominant social elites that based their economy on foreign income. The large forces from abroad and multinational capital's power came into conflict with the State's protectionist role (Misas, 2019). According to Salama (2006), the fear that substantial capital would hamper local entrepreneurial development –added to the issues of obtaining financing in foreign currencies– led to a paradoxical process in which the import costs of capital goods and some intermediate products to develop local industry, surpassed the income obtained from the circulation of goods that could be replaced with local production. This led to an inordinate amount of external funding to ensure the integrity of the model.

Thus, this economic model did not achieve the expected objective in many Latin American countries. Most of these countries, buckled by the world globalization's coercion, surrendered entirely to a *laissez-faire* system. They yielded to open market models in which the State largely disengages from the real economy as a national source of income and is forced to seek other sources to generate income for its operation. One of these sources was tax models designed to obtain the highest possible collection, regardless of their aggressiveness, disproportion, and regression for household economies.

As a cause of stagnation, the increase in idle installed capacities is another factor that explains the state regulation-excluding economic policies' inability. Salama (2006) explains income inequality's role in the stagnation phenomenon. Given that durable and high-value goods, such as those produced by the automobile industries (Ford in the United States or Toyota in Japan), cannot be easily acquired on a worker's income only by higher incomes, demand is lowered. This decrease does not produce the income necessary for the sector's growth, resulting in an increase in idle capacity, which is harmful to the model's existence.

Despite some positive results that autarchy and free trade left at the end of the century, the mechanisms implemented based on globalization, called open regionalism, did not effectively generate economic development in most Latin America. "In Latin America, in particular, this consensus was challenged by the economic crises that hit the region from 1994 to 2001, and the growing social unrest with economic reforms that failed to tackle poverty and inequality." (Sanahuja, 2016, p. 40)

Regulatory, economic studies began to make inroads in the late 20th century and the early 21st century. Since then, they have become important tools for understanding, from a financialized viewpoint, global crises, their forms of reproduction, and the collateral effects on current tax systems. Finance, commonly understood as the "financing of actual investment activities and public or private expenditures" (Brunhoff et al., 2009, p. 26), today represent the leading cause of global economic crises and have an essential place in the economic agendas of today's leaders (Brunhoff et al., 2009).

However, Marx (1867/2000) provided a significant contribution to the understanding of current crises with his critique of the political economy that prevailed in 19th century Europe. Marx turned overturned the prevailing economic theory at that time, established by David Ricardo (1973) in 1817. De Brunhoff et al. (2009) summarize Marx's contribution in different propositions that evidence finance's economic role under a credit system that favors the centralization of funds, leading to the competition's suppression. It also criticizes capitalism's fallacy as a natural state that requires adaptation to inequalities in the best possible way.

Colombia, Argentina, and Mexico: peculiarities of their tax systems

A high level of mistrust and dissatisfaction is evident in the Latin American context, resulting from a long series of social, political, and economic conflicts that have strongly affected development claims. Scourges such as corruption and violence have driven new citizens and a growing middle class to strongly oppose the local tax systems:

> the middle class bears most of the cost of welfare policies; indirect taxes place more pressure on the poor and vulnerable. Indirect taxes, especially Value Added Tax (VAT) and other excise taxes on non-elastic products imposed on consumers through higher prices, particularly affect the middle-class and low-income individuals. In the case of Brazil, Colombia, Costa Rica, and Uruguay, the proportion of taxes as a percentage of market income is higher for the vulnerable class than for the consolidated middle class. In the case of El Salvador, Guatemala, and Peru, the proportion is similar for both cohorts of the middle class. (OCDE et al., 2010, p. 57)

A tax structure profile can be established for this region, according to Figure 5, which shows that most of the tax schemes established for obtaining income are the result of indirect taxes, which do not tax the income obtained by taxpayers but their consumption.

According to Madrueño's (2016) studies, countries like Colombia, Argentina, and Mexico have particularities that have determined atypical and incoherent processes in the construction of an economic development model. In these countries, violence has played a fundamental role in society's and its institutions' behavior, which has persistently altered the hierarchy of institutional forms part of the dominant modes of regulation in the last fifty years. This can be understood because "the corresponding asymmetry often derives from particular political commitments." (Boyer, 2007, p. 54)

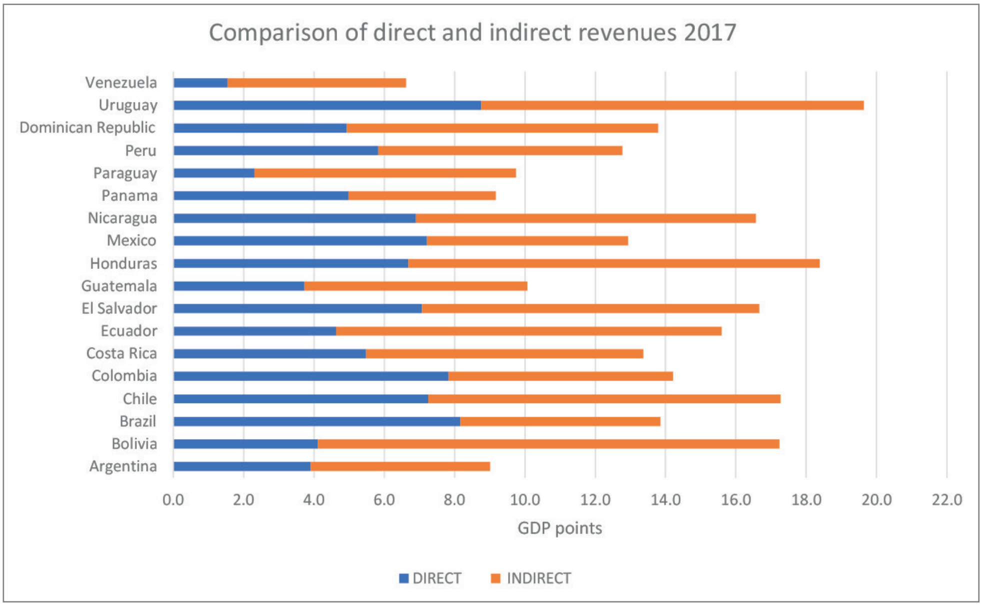

Figure 5. Comparison of direct and indirect revenues in Latin America (2017)
Source: Created by the author based on ECLAC development indicators (2018a).

Regulatory studies in Latin America have been of vital importance for the understanding of many of its crises. They transcend the vision based on Fordism, as the cornerstone explaining a regime of accumulation, and include the notion of a multiplicity of accumulation regimes, depending on the diverse economies in which they are developed. Thus, they succeed in illustrating the role of regulation for economic growth, as well as its relationship to wages, currency, international relations, and other institutional forms that were previously ignored (Soria, 2000).

Colombia

Conflict has been one of the main actors in the social disintegration and fragmentation that Colombia has experienced since the middle of the last century (Kalmanovitz, 1988; Misas, 2002; Cruz, 2016). The way a society deals with its conflicts makes them negotiable or non-negotiable; in the Colombian case, the conflicts have unfortunately been non-negotiable. In this framework, the introduction of the rule of law and the protection of individual rights and guarantees, codified in constitutions, codes, laws, and other legal provisions, shaped the first contradictions and tensions that led to legal, social conflicts.

These conflicts are essential in explaining the characteristics of Colombia's particular context. Despite the theoretical framework assumed by Misas (2002), who finds an economic, political, and social explanation of the national scenario based on the French regulatory theory, these transversal conflicts constitute capital accumulation conditions in the country. They also explain how these conditions influence the established mode of tax regulation, which, by 2017, presented a difference of only 1.4% as a percentage of GDP between direct and indirect taxes, with a high possibility of equalization in the near future (Table 2).

Table 2. Tax structure in Colombia 2010-2017 (percentage of GDP)

Tax classification	2010	2011	2012	2013	2014	2015	2016	2017
Total tax revenues	**13.0**	**14.2**	**15.0**	**14.7**	**14.7**	**14.9**	**14.1**	**14.3**
Direct tax revenues	**6.5**	**7.6**	**8.8**	**8.7**	**8.4**	**8.5**	**8.1**	**7.8**
Income, profit, and capital gains taxes	4.8	5.4	6.6	6.7	6.6	6.6	6.4	6.3
Individual persons	1.0	1.0	1.0	1.1	1.1	1.2	1.2	...
Corporations and companies	3.7	4.2	5.4	5.4	5.3	5.1	4.9	0.5
Not classifiable	0.1	0.2	0.2	0.2	0.2	0.2	0.2	...
Property Taxes	1.0	1.5	1.5	1.4	1.4	1.5	1.4	1.2
Other direct taxes	0.7	0.7	0.7	0.5	0.4	0.4	0.4	0.4
Indirect tax revenues	**6.4**	**6.6**	**6.3**	**6.0**	**6.3**	**6.4**	**6.0**	**6.4**
General taxes on goods and services	5.3	5.7	5.5	4.9	5.1	5.2	4.9	5.6
Specific taxes on goods and services	0.3	0.3	0.3	0.6	0.6	0.6	0.6	0.4
International trade and transactions	0.9	0.7	0.5	0.6	0.5	0.6	0.5	0.4
Other Indirect	...	...	...	...	...	...	...	...
Other taxes	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**	**0.1**
Social contributions	**2.1**	**1.7**	**1.8**	**2.3**	**2.6**	**2.5**	**2.5**	**3.1**
Total tax revenues (including social contributions)	**15.1**	**15.9**	**16.8**	**17.0**	**17.2**	**17.4**	**16.6**	**17.3**

Source: Created by the author based on ECLAC development indicators (2018a).

Violence is one of the main transversal conflicts in Colombia. It has managed to absorb an average of just over 13% of the nation's defense budget, a figure that exceeded the 3.2% and 0.2% for health and science and technology between 2004 and 2017 (Espitia et al., 2018). However, another conflict resulting from changes in the economic regulation forms has caused new elites to break the commitments made under the economic model.

After the elimination of the ISI model, the institutional commitments that were acquired in Colombia with the economic opening of 1991 altered the country's fiscal policy (Kalmanovitz, 2015). To this day, the State's tendency, as the mediator in the social relations of production, to impose a fiscal reformulation based on tax reductions for commercial companies, exonerations of capital rentiers, benefits to those with higher incomes, and favor of certain economic sub-sectors is still manifest.

Table 3 presents the percentages of the economic sector's participation within the income considered exempt in the country. It shows that banks and insurance companies had a 45% share of the universe of exempt income, exceeding more than four times the 11% share of the education sector, and almost five times the 9.5% share of human health and social assistance. Reflecting a clear regulatory benefit for the banking sector, which translates into a transfer of those heavy unrealized tax burdens to the social relations of consumption, which produces inequality and poverty for people:

> [...] tax reduction for the wealthiest is presented as the mechanism for generating investment, more employment and higher wages in the future, on the one hand. And, on the other, it is denied that the payment of higher indirect taxes is regressive or, at most, says the new discourse, "neutral." (Misas, 2019, p. 133)

Argentina

In Argentina's case, the 2001 crisis was one of the most studied by historical regulationists. Thanks to which establishing the origin of the political decisions was possible, halting the inflationary bomb at the end of the 20th century and its effects on the subsequent crises. With this, institutionalist visions have improved, and they have managed to undertake what they call a long-term historical perspective that prevents the repetition of past mistakes (Boyer & Neffa, 2004).

Several mistakes and limitations led the Argentine economic process to its last crisis. The country underwent scarcity, the increase in the price of domestic credit, and the hasty opening to international trade and the foreign debt, until it reached its worst depression due to the exponential decrease in consumption. This decrease was the result of adjustments in salaries as an austerity policy, which, added to a consumption tax (VAT) system (Figure 6), caused strong retaliations on the country's internal

Table 3. Exempt income by taxpayer, 2017 (billions of pesos)

Economic subsector	Filer	Special regimen	Total	Participation %
Financial and insurance activities	3.920	126	4.045	45.0%
Education	2	987	988	11.0%
Construction	822	29	850	9.5%
Human health care and social assistance activities	2	488	490	5.5%
Other services-related activities	4	476	480	5.3%
Manufacturing industries	370	12	382	4.3%
Electricity, gas, steam, and airconditioning supply	303	0	303	3.4%
Professional, scientific, and technical activities	103	126	229	2.5%
Wholesale and retail commerce, automobile, and motorcycle repair	137	57	194	2.2%
Agriculture, livestock, hunting, forestry, and fishing	124	34	159	1.8%
Shipping and storage	140	14	154	1.7%
Real estate activities	54	89	143	1.6%
Information and communications	117	21	137	1.5%
Lodging and food services	92	25	117	1.3%
Water distribution, sewage evacuation and treatment, waste management, and environmental sanitation activities	77	23	100	1.1%
Artistic, entertainment, and recreational activities	1	66	67	0.7%
Public administration and defense, mandatory social security plans	48	17	64	0.7%
Services management and support activities	18	38	55	0.6%
Mining and quarrying	23	1	24	0.3%
Total	**6.355**	**2.628**	**8.983**	**100.0%**
Participation among total filers	**70.7%**	**29.3%**	**100.0%**	

Source: DIAN (2018).

demand. This destroyed industry, delegitimized tax payments, and increased inequality (De Angelis et al., 2013).

> The capacity to collect taxes is weak, as tax evasion and fraud are apparently significant. On the other hand, it is the indirect tax that plays a decisive role, since the income of individuals and assets are subject to a low tax burden. The distribution of fiscal responsibility among the various levels of government does not facilitate the conduct of economic policy. Finally, the fiscal system seems to have a regressive role in income distribution and induces pro-cyclical macroeconomic policies. (Boyer & Neffa, 2004)

Argentina's tax structure is characterized by a substantial tax burden, which grew by 74% between 2002 and 2016. In 2018, it reached 33%, exceeding the average of 25.2% in Latin America and placing the country as one of the closest to the OECD average of 34.3% for the same year. Studies by Garriga et al. (2018) show that, in the Argentine case, the tax overload exceeds the potential tax burden. Therefore, it is concluded that the structure is maintained with easily collected taxes (such as VAT), which do not always decrease poverty or increase the economy.

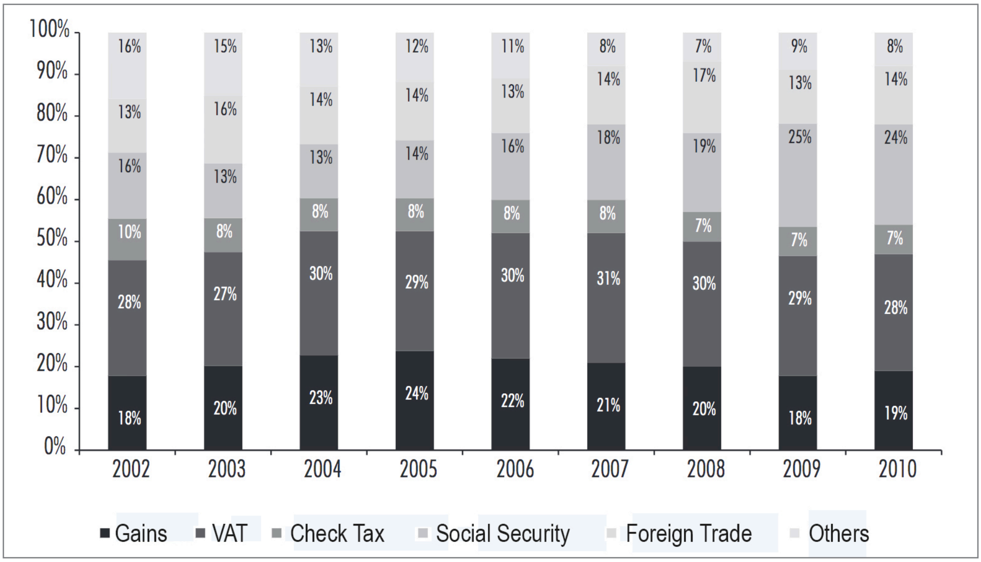

Figure 6. Origin of tax revenues in Argentina (2002-2010).
Source: Angelis et al. (2013).

Mexico

Mexico, like Colombia and many countries in the region, implemented the ISI model in the mid-20th century to improve the country's internal accumulation and feasibly achieve the welfare state that the governments of the time were seeking to establish (Aboites, 1989; Conde, 1984; Soria, 2000; 2017). All the institutional forms, able to adapt to the existing accumulation regime's purposes at that time, were weakened with the arrival of neoliberal governments that established wage flexibility policies to encourage corporatism. This led to the State's delegitimization because of the inequality instituted and the impoverishment (Soria, 2000).

After the establishment of a mode of regulation that contradicted social welfare, the fiscal effect in Mexico drove a decrease in tax burdens for companies, a lack of fiscal reform to prevent fiscal deficits, a decrease in social spending, and an unbridled increase in the foreign debt, all as a solution to the State's operating needs. "The institutional forms of taxes and subsidies ostensibly benefited capital, in exchange for the political passivity of its representatives." (Soria, 2000, p. 98)

Figure 7 and Table 4 show the configuration of tax revenues in Mexico. There was a trend in indirect tax growth that almost doubled the growth of direct taxes, with an increase of more than 2.1 GDP points for 2013-2016, from 4.2 to 6.3 points, compared to direct taxes, which increased by 1.2 points. According to the current accumulation regimes in Mexico, certain advantages and exemptions are offered to companies to favor their capital's reproduction. "In the neoliberal stage, there has been a tendency to privilege indirect taxes (such as VAT), since they are widely applied, less complicated to administer and above all because companies pass them on to the consumer." (Soria, 2017, p. 144)

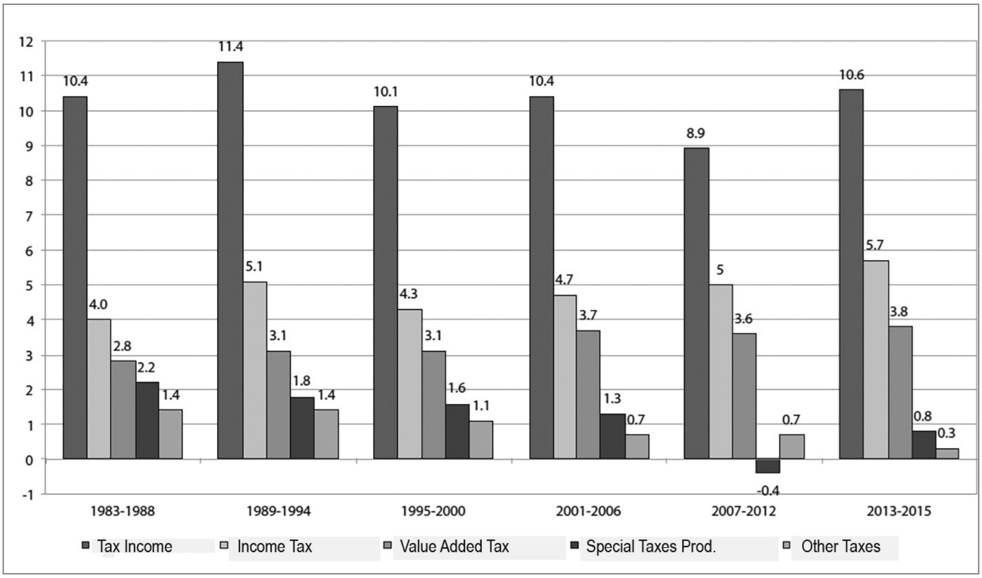

Figure 7. Federal Government of Mexico Income by tax items (1983-2015). Average annual GDP percentage by period.
Source: Soria (2017).

Table 4. Federal Government of Mexico tax structure (2010-2017) (GDP percentage)

Tax classification	2010	2011	2012	2013	2014	2015	2016	2017
Total tax revenues	**10.0**	**10.0**	**9.7**	**10.2**	**10.6**	**12.8**	**13.5**	**13.1**
Direct tax revenues	**5.0**	**5.3**	**5.1**	**5.9**	**5.6**	**6.7**	**7.1**	**7.2**
Income, profit and capital gains taxes	5.0	5.3	5.1	5.9	5.6	6.7	7.1	7.2
Individual persons	2.4	2.4	2.5	2.6	2.9	3.3	3.4	3.5
Corporations and companies	1.9	2.1	1.8	2.4	2.5	3.2	3.5	3.5
Not classifiable	0.9	0.8	0.7	0.9	0.1	0.2	0.2	0.2

Table cotinues...

Tax classification	2010	2011	2012	2013	2014	2015	2016	2017
Property Tax	...	...	...	...	...	...	...	...
Other direct taxes	...	...	...	...	...	...	...	...
Indirect tax revenues	**4.8**	**4.5**	**4.5**	**4.2**	**4.8**	**6.0**	**6.3**	**5.7**
General taxes on goods and services	3.8	3.7	3.7	3.4	3.8	3.8	3.9	3.8
Specific taxes on goods and services	0.8	0.7	0.6	0.6	0.8	1.9	2.1	1.7
International trade and transactions	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2
Other indirect tax	...	...	...	...	...	...	...	...
Other tax	**0.2**	**0.2**	**0.2**	**0.2**	**0.1**	**0.2**	**0.1**	**0.2**
Social contributions	**2.1**	**2.1**	**2.1**	**2.2**	**2.2**	**2.2**	**2.2**	**2.1**
Total tax revenues (including social contributions)	**12.1**	**12.0**	**11.8**	**12.4**	**12.7**	**15.0**	**15.7**	**15.2**

Source: Created by the author based on ECLAC development indicators (2018a).

It is important to understand the weight of the oil trade within the Mexican tax structure. It requires a new income classification, oil-produced and non-oil produced, in which non-oil produced is subclassified as tax and non-tax. This is due to the magnitude of income left in taxes and other royalties by this item. In addition to the standard taxes in the region's tax structures, Mexico has a special tax on production and services, known by the acronym, STPS. The main characteristic of STPS is that it is indirect and taxes the consumption of goods and services that progressively affect health. That may, in some future, represent increases in the State's social spending to counteract these problems (Banda-Ortiz & Tovar-García, 2018).

Impact of changes in institutional forms and taxation models

Lipietz and Vale (1988) argue that the reproduction of a society's economic model is based on the hegemonic groups' needs, which guide practices through regulations. This illustrates how the regulation of multilateral tax models is reproduced. It can also be understood as the permanence of the hegemony of certain interest groups or institutions, in a dynamic of cooperation to mitigate the natural conflicts that arise in institutions' relations.

Although economic structures obey abstract generalities that make it difficult to understand their relationship to social forms of production and consumption, different perspectives contribute. From classical economics, this relationship can be understood metaphorically under the notion of the *invisible hand* in which freedom of competition and selfishness form a self-regulatory framework. This, however, is insufficient to understand problems such as monopolies and asymmetries of power. For its part, the theory of equilibrium, the foundation of the research program of neoclassical economics, focuses on the rational individualism of subjects in a market economy. However, it fails to anticipate social conservation and the importance of the political field in resolving conflicts that usually occur within the economic field (Misas, 2019).

Therefore, intermediate notions are needed to establish the relationship between the economic structure, social forms, and political conditions, to determine the subjects' particularities immersed in the economic dynamics. In the theory of regulation, these notions are known as institutional forms. They are "any codification of two or more fundamental social relations" (Boyer, 1992, p. 54). Their importance lies in that they can be analyzed empirically and allow for an intrinsic transition from the microeconomic to the macroeconomic (Figure 8). There are five institutional forms or domains of the regulatory theory that succeed in outlining particularities of social forms and economic regularities, currency, wage relation, competition, and adherence to an international regime and the state. These institutional forms correspond to hidden institutions that, from the neoclassical theory, are imperceptible, excluded, or exogenous to the developments of the general theory of equilibrium in a market economy, omitting fundamental hypotheses, such as historical dynamics and spatial delimitation.

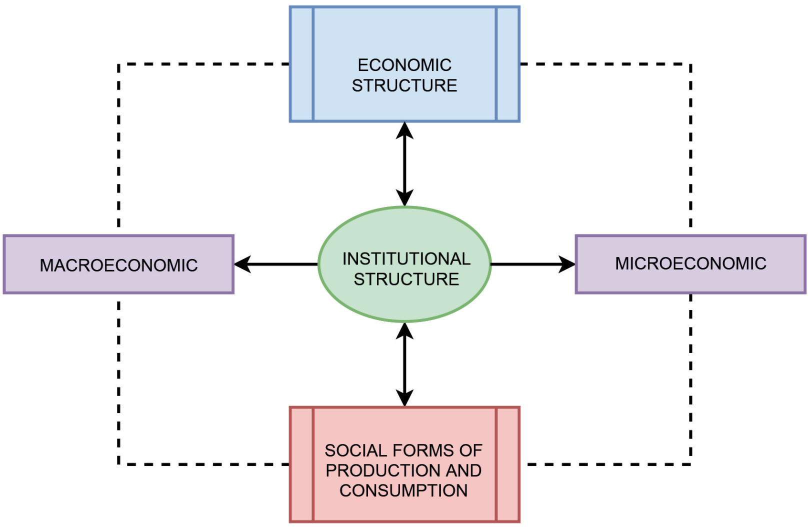

Figure 8. The institutional form
Source: Created by the author based on Boyer (1992) and Masses (2019).

Within the theory of regulation, *the currency or monetary regime* is an institution that is endogenous to economic dynamics, given its possibility of legitimizing any exchange. According to Aglietta & Orlean (1990), the legitimization process is an elemental process of every social issue, given the need to explain phenomena that cannot be observed from a quantitative conception, but from its conception of social institution.

The wage relation is constituted not only by the income that a worker receives but also by the capital-labor relations that manage to intervene in many social aspects of the economy's historical dynamics. These include the division of classes, the wage earners' way of life, the capacity for consumption, and aggregation forms. The relationship between wages and productivity is of vital importance in establishing stable and lasting economic growth dynamics. Imbalances in this relationship can result in accumulation regimes or stagflation and deflation processes harmful to the economy (Boyer, 1992; Misas, 2019).

Competition is how different capital accumulating entities organize and relate to each other, with decision-making independence. The relevance of the competition's form lies in the setting of prices, analyzed from the theory of regulation in three regimes. A competitive regime in which prices are never balanced and are adjusted constantly. A monopolistic regime in which the concentration of production and capital enables prices to be set a under supply and demand rationality. The last one is a system of administered competition in which the State intervenes as a mediator in price-setting procedures (Boyer, 2007).

The form of accession to an international regime is how States submit to the rules and norms established in an international regime that seeks to organize international relations around international trade, capital transfer, and foreign debt access. Krasner (2007) defines an international regime as a "set of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations" (p. 3). The international regime tends to alter each national economy's structures, affecting everything from its fiscal policies to its immigration laws.

As an institutional form, *the State* has a clear hierarchical distinction from the other forms, given its role in nations. The State's political and economic nature allows it to restrict or allow institutional commitments to an established regulation mode. This often conditions the other institutional forms, prioritizing agreements over acquired commitments, which are overlooked according to the internal political demands of those who govern. In this perspective, the State's social regulation function "is conceived as the expression of institutional mediations that ensure the coexistence and co-evolution of political and economic orders." (Misas, 2019, p. 28).

In French regulatory theory, institutional forms represent intermediate notions that establish relationships between social dynamics and economic structures. They make visible social factors that were not previously considered in analytical perceptions to understand many economic phenomena. The wage relation, the accession to an international regime, and the State represent an important advance in understanding many decisions in political economy and geopolitics. In turn, taxation models have a degree of impact on the channeling of these forms (Figure 9) because they affect the consumption capacity and wealth (wages); the level of equity and inequality (adherence to an international regime); and the economic policy for the functioning of nations (State).

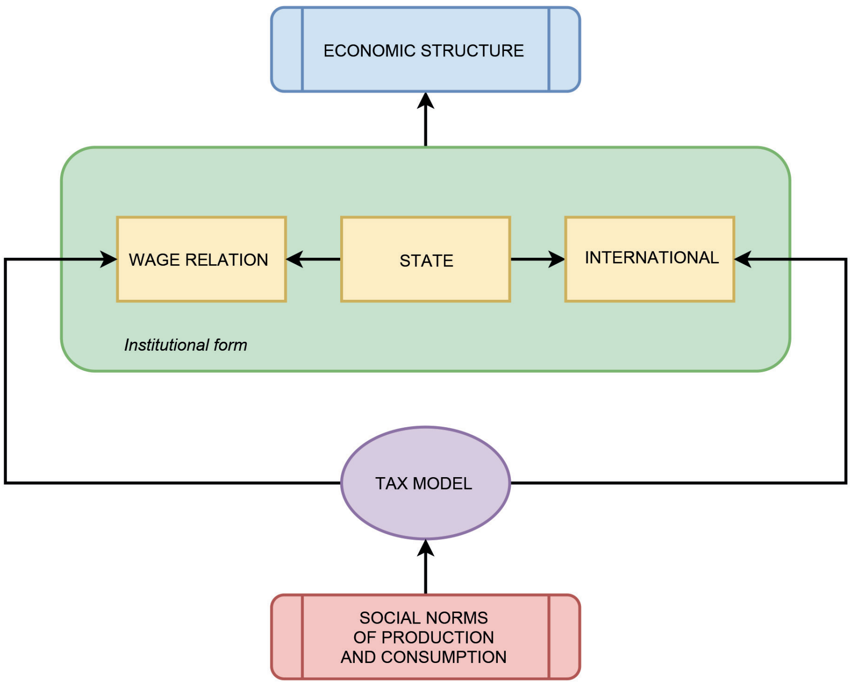

Figure 9. Institutional forms and their relationship to taxation
Source: Created by the author based on Boyer (1992) and Masses (2019).

Concerning wage relations, Kaldor (2016) defends the protection of accumulation or savings through taxes on consumption, attempting to encase his thesis in fairness by arguing that this prevents taxing the worker's total income. For him, it is fairer to tax only the part of wages that is consumed and protect the part that is saved or accumulated. However, because wage relations are workers' means of subsistence, taxation on personal consumption or spending rather than wealth tends to alter an economy's consumption capacity.

Kaldor's thesis also ignores the characteristics of wages in developing countries, where these taxes favor imbalances in the distribution of wealth. Shifting the higher tax burden to consumption and protecting accumulation are rather necessary conditions for maintaining a regime of accumulation, as well as a control on the social division and on the wage earners' way of life. The ECLAC (2018b) has demonstrated the relationship between wages and taxes and reducing inequality in developing economies, such as those of most Latin American countries.

Moreover, the inability to save because of pitiful wage conditions induces workers' to access credit to meet their household consumption needs. Thus, the worker's consumption inability and companies' excess capital create an economic dynamic of reallocation of capital over-accumulation through financial intermediation. Through the offer of debt, the banking sector manages to finance the surplus supply of goods that could not be exhausted through real values. Ultimately, this coerces the worker to consume with debt, which constitutes a means of accumulation by dispossession (Harvey, 2004; Lazzarato, 2013).

On the other hand, the forms of adherence to an international regime are key to understanding the degrees of economic openness and the policies of adopting taxation models in the region's countries. Franco (2012) and Krasner (2007) claim that international regimes are a pragmatic manifestation of the pursuit of specific objectives regardless of the degree of cooperation. They displace state sovereignty and encourage the capture of the public by the private. This is a corporate hegemony that is self-regulated and legitimized by organizations, such as the International Monetary Fund (IMF), the World Bank, the UN, and the Inter-American Development Bank (IDB).

Currently, several countries in the region accept the taxation imposed by bodies such as the World Bank or the IMF, in a scenario of forced adaptation, given the need to access credit or receive support from other international institutions (Keohane & Nye, 1988). Thus, the commitments made involve yielding to suggestions and provisions. These include the protection of accumulated capital and the free movement of capital, the increase in pension ages, the privatization of state enterprises, and increasing the scope of indirect taxation. The IMF, for instance, issues recommendations to improve taxation systems, such as the following:

> While the VAT has been adopted in most developing countries, it is often deficient because it is incomplete in its application, in one respect or another. Many important sectors, in particular services and the wholesale and retail sector, are outside the VAT network. (Tanzi & Zee, 2001, p. 11)

As an institutional form, the State has the complex responsibility of establishing mutually-undistorting political and economic orders, that do not run counter to the commitments made in its accession to an international regime. One of its primary functions is the permanent formulation of an economic policy that manages to strategically articulate its need to continue operating with that of providing for the reproduction of the State in social practices, as opposed to the failed single-State model formulated by the Washington Consensus (Arbeláez & Cortez, 2010).

For Théret (2007), the State's role in the configuration of economic policies impacts the stabilization or creation of an accumulation regime. Meanwhile, Boyer (2014) considers the State's role in Latin America –except for Brazil– too lax, as well as its fight against inequality through taxation and redistribution. He states, "Latin America is a notable example of the extreme modesty of redistributive policies that are aimed more at reducing poverty than explicitly combating inequality." (p. 43)

Conclusions

Currently, modern economy studies focus their object of analysis on the market economy, overlooking the historical behavior of some dynamics that could enrich the understanding of highly relevant phenomena, such as financial crises and the elements necessary to prevent and counter them. On the implemented crisis-solving policies, Boyer (2013) states that they have been proposed without having understood the historical background of the dynamics that led to the crisis. Therefore, in themselves, these policies lack the capabilities to avoid repeating the crises.

This statement forces us to think of taxation models not just as a construct of political needs and legal expressions to solve macroeconomic deficits or inconveniences carried over from previous crises but as providers of elements that serve as fuel for a region's economic development. The fragility of the economic structures of many of the region's countries results from the inability of those responsible for establishing them to act. Perhaps because of factors of subordination or dependence (adherence to an international regime), which disable the ability to formulate measures that can prevent economic recessions and generate financial resilience.

The articulation of the modes of accumulation of industrial and monetary capital with the modes of intercapitalist competition has facilitated the implementation of economic and financial structural reforms, including tax reforms that gave rise to dynamics for reproducing capital and maintaining accumulation regimes. In the countries of the region, this has prompted high rates of inequality and inequitable wealth distribution.

In this sense, the taxation models implemented in many countries of the region protect capital accumulation. Thus, the State's social expenditure and functioning are mostly supported by taxes on consumption to provide capital the possibilities of continuing to reproduce in financial markets. This logic places a State's possible tax revenues at the mercy of the risks inherent in speculative financial systems.

Furthermore, in the Latin American context, tax structures are not only nefarious because of how they are regulated. There are also factors related to social forms and the environment of dissatisfaction and mistrust that they experience as a result of economic crises. Factors that are ultimately supported by the lower classes of society, the resource-controlling ruling class' unscrupulous forms of management, and violence, the product of internal wars financed by the treasury.

Thus, it is clear that the taxation models implemented in Latin America over the last few decades are more in line with commitment compliance with the international regime to acquire debt than the need to establish a harmonious form of income collection, resulting in increased social spending and a redistribution of wealth in society.

The role of credit or financing as a mechanism to correct the inability to consume was described based on Marx and Engels' (1971) conception of it as a fundamental element in maintaining the economic circuit. Credit's transcendental role in the concentration and centralization of capital was established based on the studies by Brunhoff et al. (2009). This translates into calculated allocations of monetary resources resulting from excessive accumulation by dispossession, distributed under economic logic through the markets, especially the financial markets, the banks, and the capital market.

The French regulation theory helps understand the issues of inequality and poverty that arise when implementing tax models as a mechanism for legitimizing the ideologies of incumbent governments and not as tools for improving the welfare state. Its main contribution is centered on establishing the necessary relationships to perceive the origin and resolution of these disadvantages. Using levels of analysis that go from most concrete –an institutional form– to most abstract –a regime of accumulation–, passing through the modes of regulation, which determine the transit through the social forms of production and consumption to the general economic structure. This has all been proposed by the French theory of regulation, integrating other branches of knowledge that are generally alien to the orthodox economy's mathematical models. This proposal breaks away form disciplinary limitations to build political-economic models that detect and mitigate the reproduction of harmful dominant structures, which usually result in potentially unfavorable tax models for economic development.

Following Keynes (2018), an adequate tax system to improve the welfare state would be one that, in the short-term, manages to improve the purchasing power of the lower classes, increasing the demand for goods and services, and promoting the development of the local industry. This would lead to increased tax revenues in the long-term. Similarly, financing the State's social and operating expenditure with taxes, as well as debt bonds, becomes an option that could improve taxpayers' confidence and dissatisfaction.

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