Leiden University

MA International Relations | Global Political Economy

The Economics of Regime Legitimacy and Responses to Globalization:
The Case of Latin America

Master Thesis

In Partial Fulfilment of the Requirements for the Degree of Master of Arts in International Relations

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July 3, 2020

wordcount: 15.616

Acknowledgements

I will not soon forget my time at Leiden University. What started out as a minor in Latin America studies was soon followed by another minor in Global Affairs, and eventually a master in International Relations. The lecturers and my fellow students have on more than one occasion challenged my beliefs and my often rigid, technical way of reasoning. The discussion and challenges I encountered at Leiden University have given me a chance to develop myself in a way I would not have been able to comprehend, would I not have been there to experience it for myself. I was first introduced to Latin American politics and economics in Leiden in 2016 by Dr. S. Valdivia Rivera, and I am happy that, as thesis supervisor, she also helped me complete my studies at Leiden almost four years later. I sincerely thank her for supporting me with valuable feedback and comments, even if I was at times more engaged with my studies in Delft. My gratitude also goes out to all other instructors who have influenced my thinking about political economy, especially Prof.dr. E. Amann and Dr. J.D. London. Furthermore I would like to thank the small group of friends that I have met during my time in Leiden. You have been a source of motivation and joy during the countless coffee breaks which were often longer than the actual time spent studying. Finally I want to thank my parents who have supported me throughout my university career, even when they were in the dark about how much longer my masters would take.

Contents

Introduction

There is no topic more controversial in the field of global political economy than the impact of globalisation on the accountability, autonomy, capacity, and sovereignty of the nation state. Arguably, the democratic character of governance in contemporary societies is at stake in such debates.

Colin hay, 2016

A rich literature on the resource curse has shed light on how a states endowment with vast natural resources can seemingly encourage the development of authoritarian regimes (or at least inhibit them from transitioning to democracy) by legitimizing the regimes rule without the need of either its citizens cooperation, or their taxes (Ross, 2012). Although the so called petro states are perhaps the best known example of a state deriving its revenue and legitimacy from sources other than its citizens, there appears to be little reason why this would be unique for revenues derived from fossil fuels or other valuable minerals, and indeed a wider relation between the states revenues and the regime type may be uncovered.

Especially now that the third era of globalisation has unequivocally changed the way in which the world economy works, these mechanisms behind regime legitimacy and the states revenues should be considered. There has been a transition from a system where the state is the dominant actor, to a system in which the state is only one of many actors. Besides increased trade, an increased pace of financialization has also changed the world economy. Globalisation and economic development are still intangible phenomena and a consensus is missing on what the impact is on states.

The decreased importance of the state, increased financialization, and growing power of multinational corporations have led to a shift of the responsibilities of the state, and a subsequent change in the way in which different regimes legitimize their rule. The responsibilities of a regime, and the legitimacy it has are closely related in this regard. The research question that this thesis will aim to answer then is the following: "what is the influence of a regimes source of legitimacy on the responsibilities is has and the attitude the regime adopts vis-à-vis globalisation? Subsequently the thesis will aim to uncover more about this relation in the specific political region of Latin America.

The symptoms of shifting regime responsibilities have already been noticed before, and several authors have identified trends of welfare retrenchment and decreasing democratic rights as the result of a legitimacy crisis of the democratic capitalism. Most academic literature referring to these phenomenon have focused on highly developed, often European states. To solely base the theories of globalisation on a small sample of the worlds states would be highly ironic. Especially so since the diversity of states outside the OECD countries is vastly higher. This thesis will therefore explore the dynamics of globalisation both in a theoretical manner, and in an applied way in the Latin American context. Latin America exhibits an especially varied landscape of political actors and has traditionally experimented with various different regime types. The regions simultaneous transition into democracy and the global economy makes the exploration into these two subjects even more worthwile.

In the first chapter of the thesis the existing body of theory is reviewed and adapted. By examining the concepts of regime legitimacy, state revenues, and economic globalisation, a theoretical framework is formed which can be used to further uncover the relation between a regimes legitimacy and its responses to globalisation.

The second chapter will look more closely at Latin America and consider the history of globalisation in Latin America. This will aid in placing the more euro-centric theories from the first chapter in contrast with other theoretical accounts and experiences. Later in the thesis, this contrast will help to explain some of the outcomes of the proposed model.

After having the theoretical framework, and knowing more about the contemporary history of Latin America the theoretical framework that was constructed in chapter 1 is applied to the realm of Latin American politics. Several economic indicators and data from the world bank and CEPAL are used to convert the theoretical framework to an operational model which can help to uncover some of the mechanisms of globalisation in Latin America. The period after the double transition until the start of the global financial crisis is the time frame which will be considered. During these decades most of Latin America went through profound political change whilst opening up to the world economy.

Bolivia is selected for a case study in chapter four of the thesis. As it will become more clear, Bolivia is an interesting example for globalisation as over the past decades, it has experimented with various regime types. Economically Bolivia is, to the surprise of many, one of the faster developing Latin American states in the recent past. These two facts combined result in an interesting and eclectic political economy which is worthy of detailed exploration.

Chapter 1

The regimes place in a globalising world economy

In order to examine the ways in which various states respond to the pressures of globalisation it is important distinguish between- and categorise these regime types. This chapter will aim to develop a complete model incorporating different regime types each exhibiting their own quintessential political economy. To be able to do this various definitions have to be devised. Although a complete comprehensive definition of globalisation falls outside the scope of this thesis, and already has been the source of much academic debate, some operational working definitions will be provided. The reference point of the model is the democratic capitalist state since this is the foundation of many rich western states and has therefore received much academic attention, both praising and critical (Novak, 1982). One reason to expand on the idea of democratic capitalism is that liberal democracy, which is one of the pillars of democratic capitalism, is extremely rare in reality, especially so outside western Europe. This means that any theories based solely on this form society has limited applicability (Rodrik, 2016, p.53). Expanding the model may yield a more widely applicable theory.

In the first section of this chapter some of the more popular theories surrounding globalisation and the state will be examined and working definitions for much used terms around globalisation will be formulated. This section will heavily draw on theory regarding the notion of democratic capitalism, and the main criticisms to this model in practice.

The concept of regime legitimacy will be explored in the second section of this chapter. The role which revenues play in legitimizing a regimes rule, as well as aspects such a tradition and ideology will be considered. It will be seen that the regime has the largest responsibility towards the source of its legitimacy and this therefore determines to a large extent to which pressures the state has to answer most urgently. This section will delve deeper into the economic aspect of legitimacy, and aim to offer a stylised model for the political economy of various regime types.

In the penultimate section of chapter 1, the study of regime legitimacy will be used to shed light on the discussed globalisation theories to characterize four different regime types and their quintessential responses which will be captured in a set of mechanisms.

The chapter conclusion will summarize the characterization of regimes, and consider its place in the contemporary global political economy. It will be seen that indeed the source of regime legitimacy, and the economic foundations of a state are heavily interdependent and seem to influence the regimes response. It will also be seen that some trends of the global economy may be explained using this characterization, but that it also has its shortcomings.

1.1 The Democratic Capitalist State & Globalisation

Democratic capitalism is originally Micheal Novaks conception of ”a trinity of systems in one — an economy based predominantly on markets and incentives, a democratic polity, and a moral-cultural system that is pluralistic and liberal” (Novak, 1982). The legitimacy of the democratic capitalist regime is for the majority derived from its citizens who pay taxes and participate in the democratic process. And ”the loyalty of citizens may be seen as being given in return for the states role in safeguarding their livelihood, and especially in guaranteeing democratically founded social rights" (no taxation without representation) (Streeck, 2017, p.80). A democracy is always an equilibrium affair, both the citizens and the government have to agree to the arrangements at hand since there is no third party acting as an arbitrator between them. When the balance shifts e.g. the government implements unpopular policy, they will face a decrease in popularity. They must then either restore the balance, try to influence public opinion, or fear being ousted at the next election. Furthermore, the losers of elections accept the course of action, until the next elections that, would they win next time, their ’reign’ will also be respected (Weingast & Wittman, 2008, p.312). The politics in the modern democratic capitalist state are thus in principle democratic. The economy however is fundamentally based on free market mechanisms. Although this is perfectly consistent with the freedoms of a true liberal democracy, the unequal income distribution that is an effect of market mechanics conflicts with the egalitarian (one citizen, one vote) character of democracy. The political process must thus result in a set of rules and restrictions, democratically decided upon, which regulate the markets to such a degree that a satisfactory social safety net is created. This in turn is beneficial for the society as a whole, including the economy. This has been the dominant political economic line of thinking since the end of the last century and is by many also called neoliberalism (although one should take care in using this name since its meaning is contested and changes depending on the context) or even welfare capitalism (Clift, 2014, p.257). It is this a system "where markets allocate income accordiong to efficienct while governments redistribute income according to political demands" (Weingast & Wittman, 2008, p.614). When, for the sake of understanding, the assumption is made that the economy is largely domestic and not international. Then there is no significant practical difference between corporations and citizens in this model. When considering a nationally enclosed unit of analysis any corporation is eventually made up of national citizens and its profits are essentially distributed amongst the citizenry (although not necessarily in an equal manner). When this simplified model is expanded to include the world economy, neo-classical economists would state that all parties are better of due to their competitive advantage. The largest criticism about the model of democratic capitalism are founded in some of its outdated assumptions.

The dual constituencies

The first criticism on the democratic capitalism that will be discussed is one that is offered by Wolfgang Streeck (amongst others) and concerns the dual constituencies that he has identified as part of the modern democratic capitalism. The traditional and single constituency of the democratic capitalist state is the citizenry that engages in the political process and thereby exerts a pressure on the government. Streeck calls this the *staatsvolk*. Additionally, Streeck identifies a *marktvolk* which is here represented by the lenders to the state since in almost any modern economy the public revenues are composed of a mix of (implicit) tax revenues (both labour and corporate) and a large share of loans such as government bonds. Over the last decades a series of crises of capitalism have led to an ever less stable banking sector and worsening government finances that eventually have resulted in the formation of a *consolidation state* or *debt state*. In this process the states primary responsibility has shifted from the *staatsvolk* to the *marktvolk* (Streeck, 2017, p.81) Practically , this can be seen as the pressure that states have to conform to by sustaining a healthy credit rating in order to obtain and maintain low interest rates. Since the large debt crises of the 1980's, debt has not actually been decreased, but merely institutionalized and become manageable. The enduring of both public and private debt has meant the managing of said debt has risen in importance to compete with the governments other activities. This development negatively affects the governments finances and the pressure to maintain a healthy rating (and in extension, a low interest rate) has arguably led to a retrenchment of the well fare state (Hay, 2000). Financialization has made this process ever more apparent. Friedman's 'digital herd of investors' is, in contrast to greenfield FDI, facing barely any barrier to full capital mobility which encourages financial speculation (Friedman, 2000). This thus has the potential to make the competition between states for this source of finance even more fierce.

The inherent contradiction of democratic capitalism

Streeck is not alone in recognizing a shifting responsibility, away from the citizens towards other interest groups. Thomas Friedman's metaphor of the golden straitjacket also concerns the dichotomy between states and markets (Friedman, 2000). If states did not 'fit on' the straitjacket, they would cease to appear attractive to capital. If they would conform however, their economy would develop along with the rest of the developing economies (Lairson, 2017, p.74). In The globalisation Paradox, Dani Rodrik explains the trilemma between global markets, sovereign states, and national democracy (Rodrik, 2011). The golden straitjacket proposed a political economy which was regulated to a minimal extent or regulated in such a way that transaction costs were minimized, and integration and international economic activity maximized. This enabled global markets and sovereign states, but severely limited national democracy. The golden straitjacket would develop states, but in return take away their economic policy space. Thus far it has turned out that most states are hesitant to conform completely to markets, and that "when push comes to shove, democracy shrugs of the golden straitjacket" (Rodrik, 2011, p.189).

In Rodriks trilemma the option of the golden straitjacket has two alternatives, the first being that of 'global governance' where sovereign nations cease to exist in order to retain democratic politics, and deep integration. This option is however dismissed by the author, as there is simply too much diversity in the world "for nations to be shoehorned into common rules" (Rodrik, 2011, p.204). The last remaining option is one called the 'bretton woods compromise' referring to the bretton woods system which had a place for sovereign nations and democratic politics, but severely limited the potential of deep economic integration by restricting capital flows (Rodrik, 2011, p.200-204). If the sovereign state is not condemned to death in the near future, then global economic integration under democratic capitalism is thus a contradiction of its own.

Convergence and Dual convergence

A similar but opposing theory concerning democratic capitalism is that of hyper globalisation theory (Hay, 2017), the efficiency thesis (Brito, 2007), or the convergence theory (Hay, 2000) (three terms often used inter-changeably). This theory departs from a more neo-classical economic perspective and equates globalisation with increased or nearly perfect capital mobility. Under increasing globalisation capital will invest where it can secure the greatest return on investment (Hay, 2000, p.234). This will lead to competition among states for lower transaction costs. Transaction costs are a function of corporate taxes and labor costs, so labor markets will also be deregulated in order to lower these total costs (Clift, 2014, p.271). This will eventually lead to a race to the bottom, where the state loses part of its tax revenue, and the labourers their income, unable to increase any costs for the fear of corporations settling elsewhere. This competitiveness will reveal itself in "labour market flexibility, welfare retrenchment, and the intensification of tax competition between states" and leads to "a convergence among previously distinct models of capitalism" (Hay, 2017, p.294). The convergence theory is the direct opponent of the 'varieties of capitalism' model that used to be more popular (Clift, 2014, p.210). While the convergence hypothesis is the purest form of a model predicting a global race to the bottom, other authors argue that politics also play a role, and not just economics. When assuming a greater role for institutions and political culture, the identical globalising pressures might still lead to a larger, albeit, limited variety of models. Dual convergence thus forms two competing models, depending on the economic base of the states, among other contextual circumstances (Hay, 2000, p.236). There is much discussion about the extent to which convergence or dual convergence can actually be proven, and scholars such as Garret deny the convergence thesis in a fashion similar to Rodrik, stating that politics will eventually win out (Hay, 2000, p.238).

Shortcomings summarized

These three main efforts to explain the working and shortcomings of the democratic capitalism model are simultaneously supplementary and contradictory in their nature. Streeck's and Hays' accounts on globalisation both propose a shift in the responsibilities of the state away from respectively the *staatsvolk* and the well fare state, towards the *marktvolk* and the multinational corporations. Although the former focuses more on the borrowing capabilities of the state, and the latter on the eroding corporate tax revenues both arguments are based on the premises of mobile capital, and lead to "democracies morphing into oligarchies (...) serving a narrow economic elite" (Jacobs, 2017, p.130). They both see globalisation as a linear non-reversible process. Rodrik's view on globalisation regarding many of the trends of globalisation nowadays is similar, but he argues that in a democracy it is national politics, and not globalisation that will win in most cases, which allows for the explanation of deglobalisation. So although the proposed mechanism of various authors are similar, they do not agree on which are dominant, and what the respective outcomes will thus be.

1.2 Regime classification and sources of legitimacy

In order to expand on the model of democratic capitalism alternative regime types have to be systematically categorized. In the academic discussion a plethora of names is used to describe various regimes. Everything from *democracy. plutocracy, anocracy, autocracy* and *illiberal democracy* is used in various texts while the difference is often small or vague. In this thesis the regime type relates to the source of legitimacy of said regime and is primarily a function of the economic base of the state, and the subsequent responsibilities it has. Because of the various ways in which regime legitimacy can be defined, and the interdependence between the variables and phenomena (Slater & Fenner, 2011) it is important to start with a short analysis into the academic discussion about regime legitimacy or state legitimacy before forming a system according to which regime types are classified.

Regime legitimacy

State or regime legitimacy is a much studied subject that was first analyzed in political science by Max Weber (Weber, 1922). Weber devised the three classical types of regime legitimacy: *charismatic, rational,* and *traditional*. This distinction however is not completely accurate anymore as most regimes nowadays would fall under the second option, legal-rational legitimacy, with the others virtually non-existent (Dogan, 2009, p.195). Rational legitimacy is nowadays enormously heterogeneous, containing everything ranging from "advanced pluralist democracies, (...) authoritarian regimes where civil rights are partially respected, (...) and totalitarian regimes that are rejected or passively tolerated by most of the population" (Dogan, 2009, p.202-203). It is clear that the different varieties all have different degrees of legitimacy with any mix in between outright unanimous support and passive tolerance or even partial rejection. For another more contemporary account on the sources of legitimacy, van Soest names four sources of legitimacy for the regime which are identity based, procedural based, performance based, and international engagement based claim (von Soest & Grauvogel, 2017, p.289).

One of the most applicable efforts at categorizing regime legitimacy or regime 'staying power' comes from Slater and Fenner (Slater & Fenner, 2011) who have identified 4 "tasks which are performed in democracies as in dictatorships" (Slater & Fenner, 2011, p.20) that sustain the regime. The four mechanisms of *coercion*, *extraction of revenues*, *registration of citizens*, and *cultivation of dependence*. These mechanisms are again intertwined and dependent on each other. Without the extraction of revenues coercion is more difficult to achieve as the tool used for coercion, e.g. the secret police or the military that will rely on resources or other benefits and might forego their loyalty to the regime when these can no longer be supplied.

The extraction of revenues from any source grants the regime to possibility to operate and thereby grants them *performance legitimacy* ("the legitimacy that stems from success in satisfying citizens needs" (Easton, 1965)). Any regime claiming legitimacy on the basis ideology, personalism, or procedures, will still have to rely on *performance legitimacy* to a large extent (von Soest & Grauvogel, 2017, p.290). Moreover, performance legitimacy grants the regime a buffer during otherwise tough period of political opposition or economic downturn (Slater & Fenner, 2011, p.21). Between the various categorizations and analyses made by Easton (1965), Slater and Fenner (2011), (von Soest & Grauvogel, 2017), and Dogan (2009), the commonality is thus that they all refer to some mechanism of performance legitimacy.

For the remainder of this theses, unless otherwise specified, legitimacy will therefore imply the mix of the sources of legitimacy discussed here but will have a strong emphasis on performance legitimacy. As this thesis is about the political economy of regime types, the economic aspect of legitimacy is the most interesting aspect to consider. And again, as the above mentioned authors have made clear, without performance legitimacy, none of the other claims to legitimacy or mechanisms remain intact.

Economic base

As was discussed in section 1.1, it appears that even a regime that is democratic at the surface can have increased responsibility towards an undemocratic constituent from which the regime derives its legitimacy since legitimacy and responsibility is essentially a two way street. In the works by Streeck (Streeck, 2017), (Streeck, 2016) the considered source of legitimacy is the creditor whom provides funds (and thus revenues) to the state. When applying Slaters model of mechanisms that sustain the regime (Slater & Fenner, 2011), the creditor provides in the *extraction of revenues* for the regime, and thus lends the regime its legitimacy through borrowing. Because the extraction of revenues plays such a large role in enabling any regime it is worthwhile to further explore the different possibilities of revenue sources and which place in the global economy these revenue sources inhabit. An endless list of potential forms of revenues and combinations of these can be made, but a list of the most important potential revenues for regimes is the following:

1. (Implicit) labour taxes
2. (Implicit) corporate taxes
3. International credit (borrowing)
4. Natural resource wealth

It is important to note here that the dichotomy of democratic vs. authoritarian regimes, although illustrative, is not sufficient to explain the dynamics between the regime and its legitimacy. What is normally considered as democratic is a regime with certain constitutional safeguards and regular elections. In the case of Rodrik and Streeck it is more about a regime which derives its legitimacy almost entirely from its democratic constituency, and its revenues from (implicit) labour taxes (as already explained in section 1.1, and in the work of Streeck). In turn, the state has a responsibility towards the citizens to provide a certain level of safety and welfare. When following this line of thought it means that every regime purposely does not supply this security and welfare could be labeled as authoritarian. In reality this does not concur with the general theory on democracy. What Streeck considers may more eloquently be described as the state society relations. An authoritarian regime *might* still provide its citizens with security, just as a democratic regime *might not*. The difference between these two is found in where the main responsibility lies for the regime. To further understand the relation between *performance legitimacy* and the *regime type* these will further be categorized. When speaking about the hyper-globalisation thesis, and the race to the bottom, Hay refers refers to the tension between the democratic constituents and the multinational corporations which respectively represent the first and second items on the list above (Hay, 2000). Streeck on the other hand, chooses to focus on the tension between the democratic constituents, and the constituency representing (international) creditors to the state, representing the first and third item on the list (Streeck, 2016). Both creditors and multinational corporations provide the state with sources of revenues and thus with legitimacy. In this regard, the state will have an increased responsibility towards these groups, and a decreased responsibility towards its citizens. Large multinational corporations and creditors are two forms of mobile capital that seek to maximise the return on this capital, and are strong enough to exert pressure on states to achieve this. This can be in the form of lobbying for lower taxes, tax exemptions, altered spending, maintenance of a certain credit rating, etc... Relating the income of a state to its legitimacy is something that is relatively novel when considering the second and third item on the list, but that has been well documented in the case of the last item, natural wealth. Similar to labour taxes, corporate taxes, and government borrowing, natural wealth is a source of income and thus a source of performance legitimacy. The *oil curse* or *resource curse* is the well documented phenomenon where a state that derives the majority of its resources from the extraction of natural resources tends to be less democratic than similar states that do not have this natural wealth (Ross, 2012). The reason behind this is relatively straightforward. The revenue/legitimacy source does not command a responsibility from the state. There is no constituency which needs to be pleased in order to maintain the income flow, oil only needs to be pumped up. When income flows forth from natural wealth, the state does not rely on labour or corporate taxes, and does not need to keep its citizens content. While most policy makers considered mineral wealth to be a blessing for the first half of the 20th century, the adverse effects were most likely overstated around the 1980's. Oil wealth does not necessarily slow down socio-economic development in all areas. Nonetheless, the oil state is almost always less democratic because "oil funded governments are not financed by taxes on their citizens (...) they become less susceptible to public pressure" (Ross, 2012, p.6). Further than the democratic - authoritarian dichotomy, regime type will in this thesis thus be defined by the source of revenues and legitimacy, and the responsibilities that flow forth from it. In this way, different authoritarian regimes can be observed to operate in different ways due to contrasting sources of legitimacy e.g. the petro-state and the plutocracy. Furthermore, regimes that are democratic on the surface can either be illiberal or liberal democracies. In the same way that it is possible to distinguish between liberal and illiberal democracies, a distinction could be made on the basis of the foundation of political rights is also possible when political rights are based upon economic status or activity instead of democratic principles. The notion of Streecks *marktvolk* (Streeck, 2016) falls into this distinction, and is one that can further be characterized as a movement towards a form of *capitalocracy* or *plutocracy* (see (Green, 2016), (Milanovic, 2016), (Jacobs, 2017)) where legitimacy is indeed derived from economic activities rather than electoral activities, or where electoral processes are to such an extent influenced by economic activities that it becomes hard to distinguish between them.

1.3 Regime response

After having explored a few of the more general theories on the politics of globalisation and having devised a categorisation system for various regime types depending on their source of legitimacy the subsequent step is to combine the two. In this section the various mechanisms for legitimation of regimes will be considered and linked to different ways in which these regimes could, and might be expected to, respond to economic and financial pressures from globalisation.

Since it would be impossible to consider the continuous spectrum of responses that a given regime can assert towards the pressures of globalisation, these responses have to be discretized in such a manner that they can correspond to the already discrete sources of regime legitimacy.

1. Ideology based

2. Procedure based
3. Performance based
    (a) (Implicit) labour taxes
    (b) (Implicit) corporate taxes
    (c) Natural resource extraction
    (d) Government bonds

Above are the stylized claims of regime legitimacy as they have been adapted from the literature. The claims on the basis of identity and the claims on the basis of international engagement have both been brought together under the numerator of ideology based. Since the consideration is mostly on economic globalisation, and less so on cultural aspects of globalisation, it is not of great importance whether domestic legitimacy is claimed on the basis of a political ideology, or on the basis of an external enemy which unites the state behind a political leader. Furthermore, for a purely economic consideration this categorization can be problematic in multiple ways. When the legitimacy claim is largely ideology based thus does not necessarily have direct economic consequences because the ideological basis of a regime is often not reflected in its economic policy. For most states there is always a balance between acting upon its ideology, or acting pragmatically under the given circumstances and constraints (Gardini & Lambert, 2011). Although capitalism and communism arguably sit on opposite ends of the economic spectrum, internationally, the soviet union was exposed to the thrills of the market and could thus not carelessly follow its ideology.

A schematized outline of the expected response of regimes based their political economy is given below. It is readily apparent that the political economy directly influences the degree of democracy in many cases, and as such these are the types that a distinction is made between. After the economical aspect is dealt with the other sources of legitimacy that can influence the response are considered.

1.3.1 Regime response mechanisms

The regime that operates through (Implicit) labour or income taxes

In the case of the regime that operates on revenues that are extracted from (implicit) labour taxes the almost Utopian example of a democratic regime is found. This is the simplified model of democratic capitalism where the states main responsibilities are towards its citizens, as its main source of revenue is also its citizens. The pressures on the regime are thus mostly present from within and there is little economic incentive for the regime to either embrace or try to limit globalisation. Since freedom is at the core of liberal democracy, democracies and globalisation are expected to have a positive correlation. When pressures on the regime increase both domestically and internationally, domestic politics will often succeed over globalisation (Rodrik, 2011). This relation also seems to work the other way around, as (Robertson & Teitelbaum, 2011) has detailed how in democracies, there is a positive relation between incoming FDI and social protest.

The regime that operates through (Implicit) corporate taxes

This is the regime that is colloquially known as the plutocracy or capitalocracy and characterized by the tax competition amongst similar states that is described by the hyper globalisation theory. States with this character are often democratic at the surface, since political institutions that protect property rights and the rule of law are necessary circumstances to attract foreign capital as well. The democracy is often superficial though and ends at economic freedom. The electoral process, and the process of policy making is heavily influenced by corporations and thus will favour more globalisation over less.

The regime that operates through the international credit market

This is the classic example of Streeck, and similarly to the earlier example of plutocracy. More so than with capital investment of corporations, invested capital in bonds is especially mobile, and thus exerts the highest pressure on a regime to maintain good credit ratings. The credit rating is a metric which measures the trust of leading institutions and banks into the states economy. Economic growth and financial stability are important variables that influence the credit rating. These are in turn facilitated by the rule of law and the adherence to (amongst others) property rights, characteristics of a democracy in opposition to a authoritarian regime. The more democratic 'debt state' thus has a more beneficial credit rating and therefore more freedom in the face of globalisation than the authoritarian 'debt state'.

The regime that operates through natural wealth

The regime that operates through the extraction of natural wealth inhibits a unique place in the global political economy. The revenues of natural wealth are mostly unconditional to the support of any other parties, and the regime thus has very little pressures to answer to. Because of this lack of legitimacy crisis, regimes that extract their revenues from natural wealth have often tended to be more authoritarian. A democratic mandate is simply not necessary to reign.

The ideological component

Since the legitimacy is not just of a function of performance legitimacy but also of identity based legitimacy this factor must be considered. The identity based legitimacy however does not pose such strict constraint as the performance based legitimacy so there is room for states to maneuver between ideology and pragmatism. This means that for the states that have been identified to have multiple options, the ideological component will most likely be the deciding factor. Of the different regime types, this means that especially the authoritarian regime has the most freedom to follow its ideology.

1.4 Conclusion

This chapter has explored how regime legitimacy and globalisation might affect each other using both classical and contemporary theories on both subjects. Using various common theories on globalisation and globalisations impact on the state the model of democratic capitalism is expanded to fit the more varied contemporary reality of the global political economy.

For the construction of the different regime types, an approach based on the legitimacy of the regime was chosen. Although at first, and according to some authors such as Weber, this might seem arbitrary when considering globalisation. It was shown however that for the modern nation state it is most important that the regime performs, and that ideology and identity are only second to that. Using this performance or revenue based legitimacy 4 forms of revenue sources were used to paint a picture of the modern economic regime, and how it positions itself in the global political economy. These sources of revenues proved to directly influence with the democracy of certain regimes, thereby completing the categorization of the various regime types.

Chapter 2

Latin America in historical context

When considering different regime types in relation to globalisation, Latin America is an incredibly interesting region. Ever since it was first colonized, Latin America has been exposed to influences from its European colonisers. When speaking about development in Latin America one can almost speak of an economic *mestizaje*: an economic paradigm developing parallel to- and mixing with the world economy, but with its own distinct characteristics which can often be traced back to the regions tumultuous past and mixed influences from pre-colombian and colonial ancestors. Latin America has often enabled economic growth worldwide, without truly being able to pick the fruits borne by globalisation due to the volatility of global commodity prices and the adverse terms of trade. The majority of the region has seen a high degree of exploitation during its contemporary history. No wonder then, that world systems theory, with its roots firmly planted in the Marxist tradition saw a debilitating dependency between the core and the periphery, or the western world and Latin America and other less developed regions (Hellinger, 2014, p.156, 168). Dependency theory is not the only theoretical perspective on the regions development, and also with politics and culture there is as much diversity inside the region as outside of it, and condemning all Latin American states to the theoretical periphery would severely limit what can be learned about the relation between regime type and globalisation. This is especially true because Latin America has not shied away from experimentation with various forms of government (Hillman & D'Agostino, 2011, p.70) (Hellinger, 2014, p.192). All throughout the 20th century the rate of regime transition in Latin America was very high, starting with eight democracies out of eighteen countries and having 44 regime transitions in the next 40 years (Santiso, 2006, p.22).

In order to understand Latin America and the position it inhabits in the global political economy a short history is recounted. This section will shed light on two different aspects of Latin America's history. First the process of globalisation of Latin America in parallel to the rest of the world will be examined. Subsequently a short overview of the theoretical traditions that this has spawned will be given, as these are quintessential to much of the literature about Latin America. The bulk of the theory on globalisation that has so far been presented is shaped by the European experience and is thus, as so much of International Relations theory mostly euro-centric. Before applying the theoretical framework it is thus important to also consider other theories.

2.1 History of Latin American globalisation

Although it is not the express purpose of this thesis to recount the entire contemporary history of Latin America it is important the shed some light on some of the economic and political developments that have taken place in the region. Above all, it is important to see how these political and economic developments relate to one another to set the context for further analysis. This section will therefore examine the prevalent political economic structures that have been encountered in Latin America from the period where states started gaining independence, to the period of most importance for this thesis.

The economic structures of the region, ahead of the independence were marked by large scale extractivism by the colonizing states, mostly Spain and Portugal, in return for which the colonies did not see proportional rewards (Wiarda & Kline, 2014, p.20). In this sense the political economy of the colonies was already immensely intertwined with the world economy as Latin America was fueling the European economies with its vast supplies of gold, silver, and later also luxury commodities such as coffee and sugar. The way this happened is fairly constant and stable all throughout the colonial era until the transition to independence (Wiarda & Kline, 2014, p.20). With the notable exception of Brazil the transitions to independence were mostly violent, as the interests of the more powerful, European descended families or *Criollos* in Latin America started to diverge more and more from the interests of the crown leading to the independence wars of the 1830's (Hellinger, 2014, p.105).

Given the state of technological advances and the slow speed of travel and thus communication, it could be said that the *criollos* had already been the de-facto rulers of most Latin American territories and after independence 'the social class structures stayed largely intact' (Hellinger, 2014, p.104). The largest difference were the wide spread revolt, uprisings, and civil wars between various *caudillos*, or military leaders vying over the reign of the territories. The economy also changed somewhat because, although the export products remained the same, the fiscal cost of colonialism (all the tax and wealth that had to be sent to the crown) now disappeared and the the newly formed 'states' had access to the free market, which liberalized the economy, although this did not steer it away from the dependency on primary commodities (de la Escosura, 2009, p.280).

The period from 1870 onward is often characterised as the *first wave of globalisation.* It is around this time that Latin America saw a degree of stabilization with regards to the political unrest and civil wars which led to a process of social and economic modernisation (Hellinger, 2014, p.114).

Latin America is almost infamous for the large number of authoritarian regimes that has ruled in the region. In the period following the second world war, until the third wave of democratisation almost all states of the region have had an authoritarian ruler at the wheel of the state apparatus (Hellinger, 2014) (Santiso, 2006). The transition to democracy was a dramatic change given the state of the region and many scholars have wondered whether this transition would be ultimate. In the title of his work: "Comparative Politics in Latin America: *Democracy at Last?*" Hellinger (2014) phrases his question with sufficient doubt to implicitly answer it at the same time. Many of the regimes that are found in Latin America today would not qualify as liberal democracies. Santiso expresses the concern of multiple experts about the 'hyper presidentialism (...) or even low level democracy' (Santiso, 2006, p.33) and Robinson would even argue that there has not been a transition to democracy, but one from autocracy to polyarchy (Robinson, 1998). Many of the post war authoritarian and military governments of the cold-war era had looked towards import substitution industrialization as a way of developing domestic industries and breaking the dependency on imports of capital intensive products from the global north (Hellinger, 2014, p.130) (Capling & Trommer, 2017, p.124) (Wiarda & Kline, 2014, p.26). The high (non-tarrif) barriers thrown up to limit access of cheap imports on the domestic market kick-started some industries, but is wildly regarded to have led to inefficient industries unable to compete internationally. Additionally, trade barriers also inhibited trade among Latin American countries and led to a shortage of foreign reserves leading to the bankruptcy of the ISI system in the 1970's and 1980's (Hillman & D'Agostino, 2011, p.153). Following this came the lost decade, a time during which many Latin American states saw low or negative growth precipitating into an economic crisis and debt crisis (Hillman & D'Agostino, 2011, p.160) (Hellinger, 2014, p.174). This heralded the conception of the Washington consensus (Phillips, 2017b, p.368) and the widespread influence of the IMF.

Many of these developments can be easily recognised when looking at the figures associated with economic openness. In figure 2.2 the average trade and FDI inflow of the region can be seen between 1980 and 2015. It is readily apparent that both have an increasing trend. The effects of the lost decade are also identifiable however with trade marginally declining throughout the 1980's and FDI inflow remaining below 1% of GDP. Subsequently it can be seen that international trade of the region keeps growing until the onset of the global financial crisis around 2005. The foreign direct investment inflows already saw a big decline just before 2000, which can be attributed to the Asian financial crisis of 1997. Overall however, it can be said that openness increased monumentally during this period. In later sections in this chapter it will be seen if the divergence of individual countries form this average is readily explained.

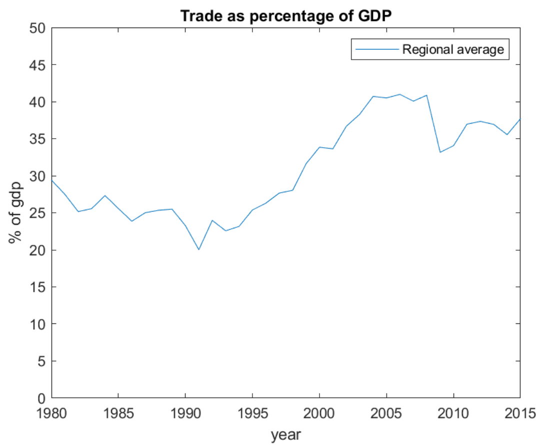

Figure 2.1: Source: World Bank Data

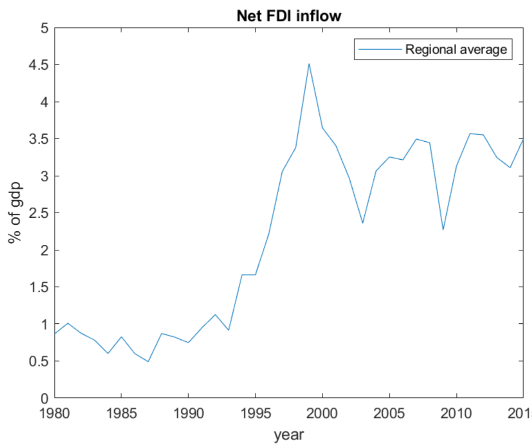

Figure 2.2: Source: World Bank Data

2.2 Theoretical traditions of the Latin American political economy

In the previous chapter a host of theories on economic globalisation and development has been presented. All these theories however have been developed from a euro-centric perspective. As is already clear from the section on Latin American history the experience for Latin America, and for European states has not been the same throughout the process of globalisation. This has prompted a wide literature of development economics which looks at how differences between states can explain differneces in economic development. Two of the theories that fall within this discipline, and have been applied to- and shaped by-

Latin America are *modernisation* and *dependency* or *world systems theory.* Of these two, modernisation theory is the more general theory, and dependency is a theory which was particularly popular amongst Latin American development economists, and was influenced mostly by Latin America. Besides these two a short examination of the theory statism and the perceived trend of de-globalistaion will also be examined shortly.

Modernisation theory is the view that economic and industrial development is a linear universal process, and that all states go through the same phases of development. This theory holds that in order to develop, and as a result of developing, all undeveloped and developing states should go through wide social, cultural change and become more alike to the western developed nations. This so called 'catch up development' would look the same for any state, with the end goal of becoming 'westernized' (Phillips, 2017b, p.358). In Latin America specifically this meant that the underdevelopment of the region was not the result of "natural inequalities or inherited status" but the result of "Iberian, African, and Indian social values" (Hellinger, 2014, p.157). The economic and social changes would lead to a take-off period, multiple decades of double digit growth, before arriving at maturity and mass consumption. Various authors have argued how at different points in history countries like Brazil, Mexico, Argentina have been at this take off point (Hellinger, 2014, p.158), although this has yet to materialize. Meanwhile, modernisation has faced stark criticism for it's 'one size fits all' approach, and various East Asian economies have shown how 'westernisation' is not a necessary requirement to development (Phillips, 2017a). Modernisation theory in this sense looks a lot like the convergence theory which was presented in chapter 1 since both assume globalisation and development to be a linear process, leading to one single model of state and economy. The fact that modernisation theory, which was once popular has received such wide criticism could mean that this criticism could also be applicable when considering other euro-centric theories in Latin America, or other states in the global south.

Given the degree of exploitation ever since the first colonization of Latin America, scholars concerning themselves with Latin America have traditionally tended to hold a more critical view of the world economy and how it functions, and it was here that a new discipline within development theory was born: underdevelopment theory, or dependency theory (Hay, 2017, p.360). From the 16th century onward, state driven capitalism and extractivism firmly embedded Latin America in the world economy "as a provider of cheap primary goods" (Hellinger, 2014, p.170). This happened however, in a largely asymmetric way. Primary commodities were extracted and exported to Europe against low prices. Whereas the finished products would be imported in Latin America against high prices again. These unfavourable terms of trade were seen by many as a structural extraction of surplus value (Watson, 2017, p.42) and an accumulation of wealth outside the region. Although mostly an affair between states, or an affair between states and their colonies, the class struggle is easily recognizable as there was a clear distinction between the imperialist agents and the indigenous or mestizo locals. This application of Marxist class struggle between states eventually culminated in the formation of world systems theory or dependency theory (Watson, 2017, p.43). These theories hold that certain regions like Latin America were purposely and structurally kept underdeveloped by extracting its wealth at low returns thereby keeping terms of trade unfavourable, denying any possibility for the region to develop and keeping it dependent on the commodity extraction in the first place. Or: "underdevelopment is not a condition in which all societies found themselves before progress; rather, some societies *underdeveloped* others" in the words of a very influential dependency theorist (Frank, 1978). World systems theory added that the world was split into regions consisting of a core, a periphery, and a semi-periphery in terms of economic activity (Wallerstein, 1974). When comparing world systems theory with some of the theories presented in the previous chapter there are both similarities and differences. The critical element of class struggle is obviously present in the world systems theory which makes it on first sight different than the theories discussed earlier. When examining Streecks consolidation state however, an element of class struggle between an economic elite and the citizenry can also be identified. A large difference is that world systems theory is entirely based around nation states as representatives of different classes, whereas in Streecks theory the state is only a middle man in this class struggle.

A version of neo-statism (Hay, 2017, p.362) also gained traction under the Import Substitution Industrialization regimes of the 1970 after the economists of the influential Economic Commission for Latin America and the Carribean (ECLAC/CEPAL) argued in the 1960's that ISI would be the solution for Latin America to get away from its dependency relationship with the global north (Raudino & Poletti, 2018, p.141). Statism is also one of the more classical development economics theories. The way in which it was implemented in Latin America was not always successful. When comparing the export oriented statist regimes of the East Asian developmental state with the inward oriented ISI regimes. The Latin American approach often lead to more underdevelopment and corruption and is not widely regarded to have been a successful endeavour.

When looking at globalisation today, it could be argued that there is no real globalisation, but only triadisation (Hay, 2017) and lately, trends of nationalisation and de-globalisaition instead of globalisation have been becoming more apparent again (van Bergeijk, 2018) (Livesey, 2018). When looking at the development of Latin America in the world economy through the lense of triadisation, it could indeed be remarked that, although Latin America is connected to the world economy, it indeed plays a role on the periphery. World systems theory however, lost popularity after various economies have begun to show upward mobility, from the semi-periphery to the core, or from the periphery to the semi-periphery, which has also happened in Latin America in the case of Brazil, Chile, and Mexico. Still most theories considered in the theoretical framework do not account for de-globalisation and assume globalisation to be a given. The reality is often different however. Of all authors, Rodrik perhaps leaves the most room for de-globalisation, and also implicitly explains why and how de-globalisation may take place.

2.3 Conclusion

In this chapter it was seen that the Latin American experience of globalisation and development has been starkly different than that of most Western or European states. The development of Latin America has often been through exploitation by colonizing states and this continues to influence the economic, social, and political climate till today. In the second section it was seen that the different experience which Latin America has had is also represented in the theoretical bias. Most theory around globalisation and international relations has been euro-centric, and it is worthwhile to also examine theories with a different origin, or more critical theories. In general, the theories used in the construction of the theoretical framework are indeed euro-centric and as such, most of them have a high degree of linearity and determinism which does not allow for any alternative outcomes. It is seen however that not all states develop in the same way and that apart from economics, politics and culture play a large role in this. Furthermore, some aspects of world systems theory and the notion of globalisation can partially be explained by Rodriks ideas on the paradoxes of globalisation (Rodrik, 2016). As such it must be concluded that although there is a large difference between a euro-centric perspective Latin American perspective, a selection of multiple theorical accounts can provide a more complete understanding.

Chapter 3

Empirical Evidence from Latin America

With the historical perspective of globalisation in Latin America and the framework in place, the analysis of the influence of regime type on globalisation can take place. In this section the theoretical framework will be made operational by expanding the definitions from chapter 1 to fit existing economic indicators. In order to see whether the four identified mechanisms (refer to section 1.3.1) can be seen at work in Latin America, it is important to decide how these mechanisms are defined. The goal of this section is two-fold. The primary aim is to see what the developed framework and theory can teach us about the presumed relations. The secondary goal however is to test the framework using empirical data. Most theories on hyper globalisation and the race to the bottom have been infamously difficult to prove using empirical data (Hay, 2017, p.303), although it seems that anecdotal evidence is easily discovered. The analysis is performed in two ways. First it is established how the mechanisms that were found can be quantified by finding fitting indicators or metrics which are then analyzed. Subsequently, a more qualitative analysis is also performed if it appears that the existing indicators are not sufficient for a rigorous statistical analysis.

3.1 Quantifying the regime type

In the previous chapter some effort has already gone into the construction of a classification system for regime types. So far it has seemed that the simple dichotomy of democratic and autocratic does not suffice and that there are several intermediate forms that are named differently by different sources (*capitalocracy* (Roullet, 2005), *plutarchy* or *plutocracy* (Green, 2016), (Milanovic, 2016), (Robinson, 1998), *polyarchy* (Robinson, 1998), and *anocracy* or *illiberal democracy* (Centre for Systemic Peace, n.d.) and (Rodrik, 2011) respectively). The precise difference between these terms however is not necessarily a large problem, granted that a consistent definition is used for the purpose of this thesis. In chapter 1 it was already proposed to use a concept more akin to state-society relationships. In order to remain closer to the framework as constructed in the previous chapter some assumptions will have to be made in order to get to a working model. As the framework bases its regime classification and the associated mechanisms on performance legitimacy and thus in the revenue sources of regimes, a quantitative distinction can be made on the basis of these revenue sources. Subsequently, the degree of democracy or polyarchy may be judged in a more qualitative manner as a validation. It should be noted however, that this is still a difficult endeavour. When referring back to the work of Streeck (Streeck, 2016), he found that the democracy in many western European states is at a crisis, even though both Polity IV and Freedom house would argue differently. This is thus a matter of defining democracy based on either the institutionalization (traditional), or on the legitimization (Streeck). In order to come to a classification which is consistent with the framework from chapter 1 the revenue sources of the regime have to be taken into consideration. Although these are not always directly available, indicators which are closely related can be found. The total tax revenue as percentage of GDP, the natural resource rent, and the external debt, are found in the database of The World Bank (The World Bank, n.d.). Furthermore, an overview of corporate tax rates is published by *Centro Interamericano de Administraciones Tributarias* (Centro Interamericano de Administraciones Tributarias, n.d.). In this manner, a state with a high and growing external debt can be considered to be reigned by a regime which is functioning from international creditors. A high share of natural resource rent points clearly towards the resource regime. Especially when the resource is petroleum or a derivative product, this is a categorization which can be qualitatively checked with the existing literature. As mentioned earlier the petro state is a much documented phenomenon and Latin America is not a region which is an exception to this.

The largest hurdle to this approach is the lack of revenue data for some states. Although the World Bank and ECLAC have a large database with records of many different indicators, it relies on data from central governments or estimates to function. This means that for example, there is no data about government revenues for Venezuela, Panama, Cuba, and Ecuador at all, and for many countries data from the 20th century is irregular (see appendix A). This makes it difficult to compare, lets say Venezuela's oil revenues to its total revenues, even though there is a figure for its oil revenues as a percentage of GDP.

In the following sections, a rough division has been made for the four established categories. Every time, the revenue from a source, as a percentage of total government revenues has been considered. For the countries where data is lacking, an analysis of the revenue from a specific source is made relative to the GDP of that country.

3.1.1 Earlier emperical studies

There is a small number of authors that have done some exploration into the topic at hand in Latin America and these found that some of the general hypotheses indeed hold. Some also found however, that due to the complex political environment some notes have to be made. Hyper-globalisation assumes that the trends that were explained earlier would show regardless of political orientation of the regime. (Hart, 2010, p.320) finds however that in South America, the political orientation of the incumbent regime is a good indicator for the tax policy. He also emphasises however, that counter-intuitively, "the pro-market Right generates more tax revenue than the interventionist Left" (Hart, 2010, p.323). He attributes this to the distribution across different taxes, where the left attempts to exempt the poor from taxation, thereby foregoing the highly effective and efficient VAT tax (in an institutional climate that has trouble collecting taxes effectively). As Rodrik argued, national politics often wins from globalisation in democracies(Rodrik, 2016). This hypothesis is partially confirmed by Tenorio who finds a relation between the social spending results of labor protests and mass protests, and the level of democracy of a regime (Tenorio, 2014, p.1957). In other words: in a democracy, the regime responds stronger to the pressures from its democratic constituents than it does in a less democratic regime. Although this sounds simple enough, it is important to observe that this validates part of of the theoretical framework from chapter 1. Furthermore Tenorio finds that in regimes that do not derive their legitimacy from a democratic constituent, labor- and mass protests actually seem to result in a reduction of social spending (Tenorio, 2014, p.1961). It is interesting in this regard to note again the conclusions of Robertson and Teitelbaum who find that in more 'globalised' developing economies (i.e. higher FDI inflow) there are more civil protests, which points towards the ultimate tension between the *staatsvolk* and *marktvolk* (Robertson & Teitelbaum, 2011).

3.1.2 Natural resource rent

When considering the average natural resource rent in Latin America between 1980 and 2005 it appears that there are 3 or 4 states that would qualify for a categorization of 'natural resource' state. In table 3.1 it appears that the numbers for Peru, Chile, Ecuador, and Venezuela especially are very high.

Table 3.1: Resource rent as percentage of GDP, average 1980-2005 (The World Bank, n.d.)

Panama	0.2	Brazil	2.8	Peru	6.3
Belize	1.1	Argentina	3.1	Chile	9.7
Guatemala	1.4	Colombia	4.5	Ecuador	10.1
Cuba	1.5	Latin America & Caribbean	4.8	Venezuela	20.1
Honduras	2.2	Mexico	5.7	World	6.2
Costa Rica	2.8	Bolivia	5.9	OECD countries	3.0

As a contrast, over the same period, the EU would only have resource rent totalling 0.4% of their GDP (The World Bank, n.d.). These averages do not tel us everything however. Mexico and Bolivia for example can be considered to be relying heavily on natural resource rent and other associated revenues for at least a part of the period under scrutiny. In table 3.2 the periods where natural resource rent was 7.5% or more of the GDP are marked, and it can be seen that Mexico used to rely heavily on resource extraction throughout the 1980's, and that Bolivia has had increasingly relied on it from around 2000. (See appendix A, figure A.2.) The averages for highlighted periods are above 10 percent. When looking at the contribution of natural resource rent to the total revenues for the selected countries it is often above 50% (although it must be noted that if extraction is not nationalized, not all of this flows directly to the state coffers, which explains why the numbers for Ecuador repeatedly exceed 100%. Regardless, it is an important driver of the economy.) It could thus be said that on the basis of these numbers, the regimes in these 6 states can be seen to rely heavily on natural resource rent for its operations and its performance legitimacy.

3.1.3 Income tax and corporate tax

This categorization is especially difficult to use in for Latin American since the institutional infrastructure of many economies is not sufficiently developed to effectively collect taxes or record all taxation data. The Economic Centre for Latin America and the Caribbean (CEPAL) records the individual, and corporate tax revenue as a percentage of GDP for all Latin American and Caribbean states (Economic Commission for Latin America & the Caribbean, n.d.). These records however, only go back to 1990 and are not complete for all economies. The complete table is again shown in appendix A, in figures A.3 and A.4.

Table 3.2: Natural resource rent for Mexico and Bolivia (The World Bank, n.d.)

	Average	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Mexico	7.4	10.8	8.2	9.1	13.4	10.9	9.6	5.9	8.8	6.5	7.3	8.0	3.9	3.6	2.5	2.2
Bolivia	4.8	11.4	5.4	4.2	5.1	3.7	3.6	2.6	3.6	5.3	7.5	7.5	3.2	3.4	3.1	3.1
	Average	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Mexico	4.1	3.5	4.1	3.2	1.6	2.3	3.5	2.6	2.7	3.6	4.5	5.9	6.4	5.9	6.8	4.3
Bolivia	7.0	3.3	3.7	3.5	2.0	2.4	4.1	4.0	4.5	5.5	7.8	11.9	15.4	15.1	13.3	8.7

When considering revenues from consumer tax it appears that Panama, Brazil, and in more recent years, Mexico stand out. Panama and Brazil are two countries known to have a fairly large middle class, and a relatively well working institutional infrastructure. Mexico will need some more careful examination since it also came up in section 3.1.2. There it was seen that it had become less reliant on natural resources over time, while here it starts relying more on income taxes. This might be explained by a transformation of the Mexican economy and its politics. Mexico has successfully developed its industries more towards manufacturing and services, which of course is related to its geographical proximity to the United States. Meanwhile the reign of the PRI also has been broken. In the currently used framework this could point towards a transition from a undemocratic natural resource regime, to a more democratic regime. Bolivia and Guatemala on the other hand collect very little consumer tax, which could be an indication of the degree of representation, but also of poor institutional infrastructure.

For corporate taxes it appears that Argentina and Chile are largely reliant on this source. Surprisingly, the same goes for Guatemala, and for Honduras when considering the years for which data is complete. The Honduran tax revenues as a percentage of total revenues seem to be quite large, but when considering the tax revenues as a share of GDP it is much smaller than that of other countries. This most likely points to a low central government revenue, possible caused by a myriad of factors such as corruption, bad management, and unreliable collection of taxes. In such condition, the easiest taxes to collect are often corporate taxes, since they are part of the official economy. It is however not surprising to find Chile in this category since besides its reliance on natural resources such as copper, it is also known as the "neoliberal success story" (Hellinger, 2014, p.182)

3.1.4 International credit

The last regime type is the type that largely relies on the international creditmarket for its revenues. Since this concept is entirely constructed around developed western European states (Streeck, 2016) it will be difficult to apply to Latin America. Furthermore, Latin America's collective experience with debt has not been one of success (Hellinger, 2014). It could be argued that the mechanism at show in *the European consolidation state* is even a consequence of the Latin American debt crisis. Governments used to be seen as borrowers that would not default, but failure to service their debts, and restructuring of debts of several Latin American countries has made international creditors more aware of the risks associated with lending to countries without a stable economy and fiscal discipline. In figure A.5 it can be seen that after the debt crisis the debt of the 1980's, many economies were dealing with a debilitating debt. However, most of these debts have been gradually decreasing. Argentina, Belize, Paraguay, and El Salvador stand out as the only countries in which debt has significantly increased after the 1990's.

Although for some other countries it may still be high in this period, it is mostly decreasing. This may be explained by the reluctance of many Latin American countries to rely on international credit given the painful history with the IMF and structural reforms.

3.2 Quantifying regime response

To capture how globalisation manifests, how it exerts pressure on states, and how these states respond, various indicators can again be employed. Trade volumes are generally held to be a strong indicator of the openness to globalisation, and similarly are a growing in- and outflux of foreign direct investment, and the more open a country is, the more it is subjected to the pressures of globalisation (such as tax competition or pressures on credit rating). Especially when the change in these variables is higher than the growth of the real economy, it can be said that an economy is further integrating into the world economy, which will have its consequences depending on the mechanisms at work. In the first chapter these mechanisms have been identified, and in the subsection above a method of identifying what the regime type is has been developed. Together a hypothesis for the regimes policy responses to a globalizing economy can be formed. It is important to make an equally thorough analysis of the way in which a regime responds to these globalising pressures. This can be difficult since the motivation behind policy is often hard to capture quantitatively. There are indicators that have often been used in the empirical analysis of hyper globalisation theory, convergence theory, and other theories upon which has been built in the first chapter. Especially corporate tax rates can give a clear idea of the degree to which states engage in the so called race to the bottom. As with most indicators that are used to quantify a regimes response, the derivative is expected to be more interesting than the indicators itself. If corporate tax rates seem to be steadily declining while foreign direct (especially greenfield) investment increases this could hint at a regime yielding to these pressures. A decrease in public spending and social welfare expenditures signal the same. Decreased revenues from corporate taxes or a pressure from creditors to decrease the budget deficit can lead to a decrease of public spending. Of course democratic participation and the effectiveness of democratic participation are also important indicators. The more open an economy is, the more it is exposed to the pressures of globalisation. These pressures, as was also discussed, can be measured as tendencies to engage in policy that accommodates mobile capital such as the lowering of corporate tax rates and budget cuts on welfare spending and public spending in general. The decrease of public spending is not directly related to the accommodation of mobile capital, but follows as a logical result after decreasing revenues from taxes.

The division of regime types made in the previous section is once more shown in table 3.3. Now that this division has been made, some of the hypotheses from the formed mechanisms can be tested. When looking at this table there are a few things that can be noted. Primarily, entries are not always unique. A state can be in two different categories at the same moment, or two regimes may be found in a state at different points in time. This indeed means that the division made in the model is very stylized, and does not always allow for the complexity of a real economy. The stylized model however, does make it possible to make general observations and discover trends or help explain these trends. Compared to European or other western economies, Latin American economies at large are more reliant on natural resources. Throughout the period under consideration, most of the states listed in as natural resource regimes have been ruled more autocratic than other Latin American states. Although in the countries governed by pink tide rulers a lack of representation was often shrouded by the windfall of the commodity boom, economic hardship in Venezuela, Bolivia, and Mexico laid bare the lack of representation.

Furthermore, as was already seen, the average corporate tax rate throughout Latin America has been declining, but it can be observed that the corporate tax rate is absolutely the lowest in Chile, which was concluded to be a tax regime. The other corporate tax regimes are not as dependent on tax revenues in Chile, and the relation with a low tax rate does not seem to be as strong. This may be because the FDI inflow to these three countries has been considerably smaller than that to Chile, and the influence of globalisation, and the pressure to conform tax rates is thus not as strong.

The states listed as consumer tax regimes are the states where the model expects the highest level of democratic representation. This responsibility of the regime towards the constituency should be recognized in higher levels of public expenditures according to the framework. For Brazil, it is indeed seen that, within the available data set (which is sadly not complete) it does indeed have the highest public expenditure. This is indeed consistent with the image which Brazil long held as the 'next economy to take of,' its large middle class and generally high pensions (The Economist, 2009). Although Brazil has since been through several economic crisis and doesn't seem to delvier on its promise to take of (Hellinger, 2014, p.246). Sadly, the public expenditure data for Mexico and Panama is not available.

The last category is somewhat more problematic than the previous three. Revenue data for most central American states is erratic, and also the regime response expressed in public expenditure and tax rates is is not always available.

Table 3.3: Regime types for various Latin American states based on central government revenues.

Natural resources	**Corporate tax**	**Consumer tax**	**Credit**
Peru	Argentina	Brazil	Argentina
Chile	Chile	Mexico (after 2000)	Belize
Ecuador	Guatemala	Panama	El Salvador
Venezuela	Honduras		Paraguay
Bolivia (after 2004)			
Mexico (1980-1990)			

3.3 Results

From the analysis in the previous section it indeed appears that most of the mechanisms constructed in chapter1 can be identified in the data to some degree. It must be said though that the more one zooms in, the more influential the specific circumstances become. The model as such seems to function quite well for the general relations that can be observed, but not always in specific cases.

Although there has previously not been much research into the relation between globalisation and regime types in Latin America there have been earlier explorations and considerations of the hyper-globalisation thesis in Latin America. Especially Brito (2007), Tenorio (2014) and Hart (2010) have looked at how the presence of globalising pressures have eroded welfare and influenced democratic participation, although they also do so in a region wide statistical analysis, not studying the difference between countries.

When using this same approach it seems indeed that the mechanism of declining corporate taxes with increasing openness is indeed valid for Latin America as a region. In figure 3.1 this negative correlation can be observed clearly. It even appears that during the aftermath of the Asian financial crisis, when the integration of the Latin American economy reduced, corporate tax rates increased.

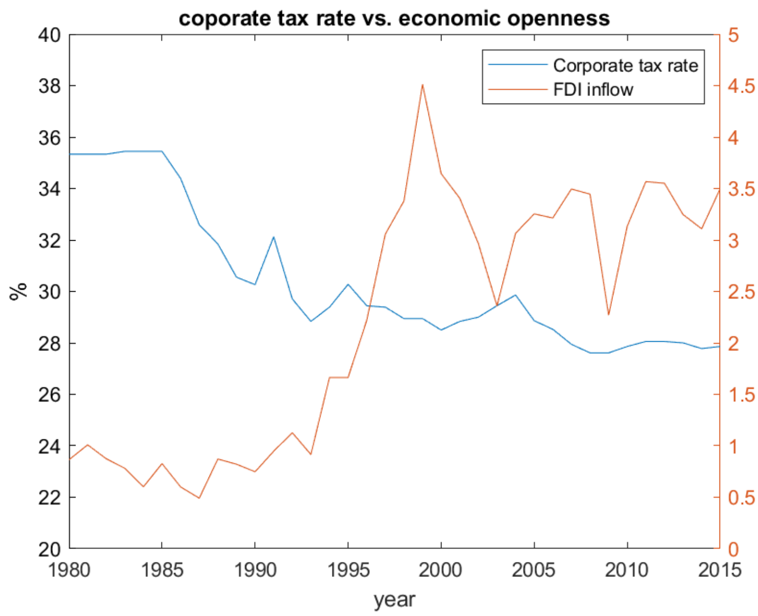

Figure 3.1: Corporate tax rates vs. economic openness. Adapted from (The World Bank, n.d.) and (Centro Interamericano de Administraciones Tributarias, n.d.)

Brito (2007) also finds this strong negative correlation, meaning that globalisation does indeed pressure states into lowering corporate taxes to accommodate mobile capital. Brito further assesses that this negative relation is most strong and relevant towards the end of the time period he considers. This is due to the fact that in the 1990's the double transition started and accelerated the pace of globalisation. In figures 2.1 and 2.2 it can indeed be seen that the economic openness greatly increased during this period. The work of (Machado, Morley, & Pettinato, 1999, p.21) further argues that openness and capital account reform was relatively even throughout the region from 1990 to 1995, but that tax reforms varied wildly between economies.

Combining the findings of these studies with the earlier findings in this chapter indeed appears to point to a general applicability of the model. It must however be said that it is not applicable in every case. This can partially be explained by the fact that the model is based on western centric theory, and as was discussed, this can sometimes be quite different from the Latin American experience.

One complicating factor is again the lack of reliable data. With any quantitative approach the success will ultimetely be influenced by the availability and the quality of the data. Although it is possible to find and confirm general trends with the data that is available, it becomes difficult to consider some of the individual cases with a purely quantitative appraoch.

Chapter 4

The Case of Bolivia

One of the conclusions of the previous chapter was that the model has relative success when explaining general trends, but that it is more difficult to uncover relations when zooming in. This is exactly what will be done in this chapter. In order to find out whether the proposed mechanisms may still be recognized when performing a case study of a single country Bolivia will be considered here. In an in depth case study there is more opportunity to regard policies and discourse of a regime. This may yield new insights that cannot be directly uncovered from macro economic data. Furthermore the execution of a case study will help control for contextual variables. Between different states, a political culture may influence observations more so than the parameters which are measured. This may lead to an apparent correlation between a regimes revenues, the source of legitimacy, and the regime type while such a relation may not necessarily be present. This can be partially solved by performing a case study of one state and looking at consecutive regimes of that state. Differences between states are in this way controlled for, and a more thorough analysis of policy is possible.

Bolivia, or since 2009 *the Plurinational State of Bolivia* has been selected for this purpose. The contemporary history of Bolivia exhibits many traits which could be useful in examining the mechanisms as presented in the previous two chapters of this thesis. Firstly of all states in Latin America, Bolivia maybe has the most dynamic political past with a high number of attempts at unconstitutional changes of power, "reported at 157 between 1825 and 1982" (Farthing & Kohl, 2014, p.6). After the transition to democracy this picture did not entirely change, with only 7 of 12 presidents fulfilling their term in office and an average of a little more than two years in the position between Guido Vildoso and Eduardo Rodriguez (Crabtree & Whitehead, 2008). Evo Morales' presidency of more than 13 years of course increases this average considerably, but it remains unsure whether this should be an argument for or against the state of democracy in the South American Country. Secondly, the state of democracy under the Morales administration has been a fierce debate with proponents making a case for mass representation of especially the marginalized indigenous masses while opponents of Morales argue that his regimes has been far more autocratic than most care to admit, and that democratic representation does not go much further than a facade. The third aspect which makes Bolivia interesting to consider is how its political alignment has shifted over the past decades. While with Morales "Bolivia became South Americas sixth country to elect a self-described left wing president" (Farthing & Kohl, 2014, p.2), more neoliberal regimes and policies had been in place in the years before. It may be that as a result, policy and revenue sources have therefore also changed making it the perfect case study to examine the mechanisms of different regime types at work.

In this chapter a short history of Bolivia is first presented. This is done so that the characteristics of different regimes become more apparent. Subsequently an effort is made to uncover the proposed mechanisms, and whether or not the theories presented in chapter 1 support the observations made.

4.1 Bolivian Economic History

In many respects Bolivia went through a similar experience as many other Latin American states in the previous century. From the 1950's onward the state made an effort to modernize and industrialize by tactics of import substitution industrialization. This led to meager successes with some modernization, but ultimately resulted in inefficient industries. A combination of these inefficient industries and deteriorating terms of trade led to foreign shortages of foreign currency and a debt crisis at the beginning of the 1980's (Crabtree & Whitehead, 2008, p.218). The region wide rise of neoliberalism also manifested itself in Bolivia, in the form of a regime which can be described as a *pacted democracy*. Similar to situations on Colombia, Chile or Venezuela in the same time, the main political actors agreed to share power and in this way sustain the status quo. These political actors were often the more traditional oligarchs and landowners, as well as representatives of the international capital. This group comprising of the *Acción Democratica Nacionalista (ADN)*, the *Movimiento Nacionalista Revolucionario (MNR)*, and the *Movimiento de la Izquierda Revolucionaria (MIR)* enabled a system of relative political stability but was cited to be "A regime for neoliberal accumulation" (Crabtree & Whitehead, 2008, p.241). Especially Sanchez de Lozada is considered to be one of the main drivers behind Bolivias push towards neoliberalism (Kaup, 2012, p.73). The pacted democracies are handled with some controversy in the literature as some authors argue that Bolivian democracy during this time had changed for the better (Wiarda & Kline, 2014, p.14), while others certainly imply that although constitutional safeguards were in place, there was no real popular representation (Crabtree & Whitehead, 2008). Pacted democracies in Latin America have in general been described as very authoritarian systems (Hellinger, 2014, p.269). Of Bolivia specifically it was said that the system "granted relative stability to a formally democratic polity (...) by barring the majority of the population from having any significant influence (Assies, 2004, p.31).

With respect to economic policy and globalisation these regimes were amongst the most liberal in Latin America. By creating the idea that economic liberty and political liberty were the same, the regime was allowed to increasingly open the country to foreign direct investment and eventually privatize, or capitalize as was the popular term in Bolivia, many enterprises. The neoliberal agenda truly gained traction after 1985 with a series of laws and measures also called the *Nueva Politica Economica* or new economic policy (Farthing & Kohl, 2014, p.28) (Kaup, 2012, p.55). A monetary aspect of the neoliberal package in Bolivia was the pegging of the *Boliviano* to the US dollar and a prohibition on the creation of money by the central bank. This resulted directly in a devaluation of the currency, and fiscal restraints for the government, but also in a degree of monetary stability (Kaup, 2012, p.59). Initially the *Nueva Politica Economica* primarily led to increased international investment in mining, which grew with 19.7% during the period between 1986 and 1990, whereas the GDP grew by a mere 2.4 % in that same period (Kaup, 2012, p.63). It goes without saying that the local and international mining elites reaped the benefits, and not the state. Over the next decade, this is a pattern which repeated itself in the area of hydrocarbons and other natural resources. Public resources were increasingly privatized and taxes lowered. This had as effect that large investments were available to quickly explore and develop new resource deposits. These deposits could then be more quickly exported and subsequently "monetized through exports" although a relatively smaller share of the revenue ended up in the state coffers. (Crabtree & Whitehead, 2008, p.247). This ultimately resulted in two distinct economies within Bolivia, a highly developed extractive sector which attracted high international investments, but also a impoverished and backwards domestic industry and agricultural sector (Crabtree & Whitehead, 2008, p.243). With barely any linkage between these sectors, most Bolivians never profited from the large investments and in 2005 only 17% of Bolivia's GDP came from its domestic industries (Crabtree & Whitehead, 2008, p.244). As can be seen in figure 4.1 the economic growth under this regime was only average, and while it succeeded in attracting larger amounts of foreign direct investment, government revenues did not nearly grow as fast. In the figure it seems that public expenditure started growing again after 1986 (this specific data set did not include data from before 1986), but in the 5 years before the public expenditure averaged around 30% of GDP (Country Economy, n.d.). Other sources indeed confirm that the slashing of public expenditure was part of the structural adjustments (Farthing & Kohl, 2014) (Crabtree & Whitehead, 2008).

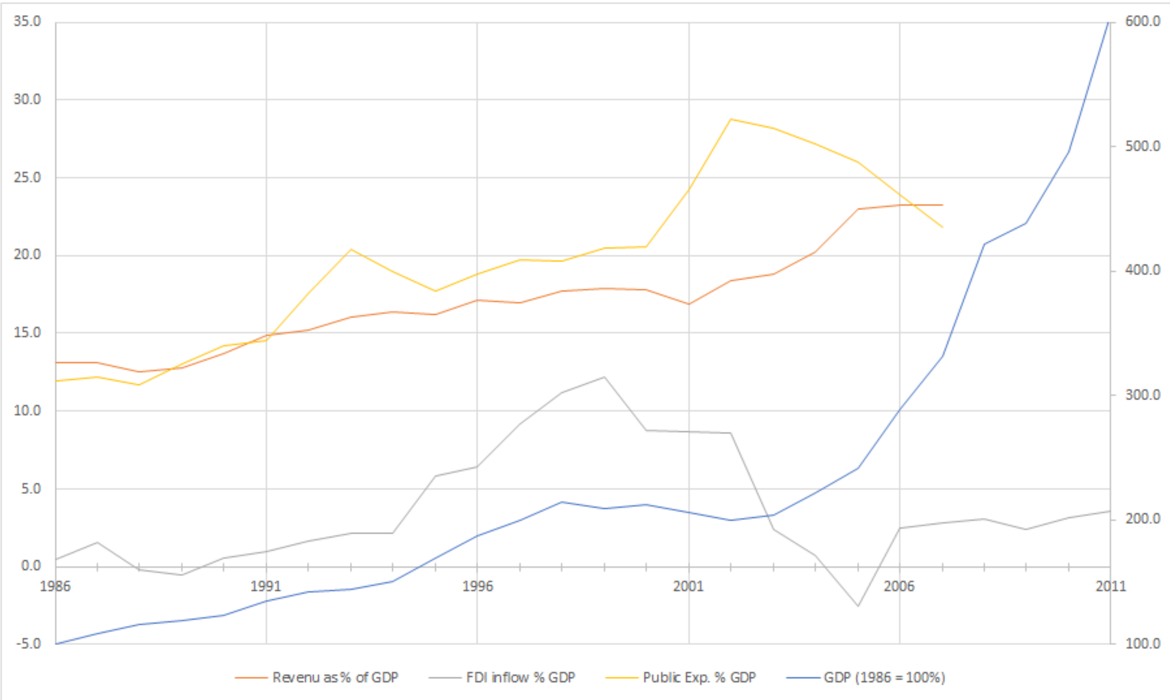

Figure 4.1: Macroecnomic indicators for Bolivia during the neoliberal regime (The World Bank, n.d.)

The backlash of the Asian financial crisis in 1997-1999 had severe, although somewhat delayed consequences for many Latin American economies. In figure 2.2 it can be seen that the inflow of foreign direct investment to Latin America more than halved. This was also the time when criticism on the Washington consensus started building. This eventually culminated in the emergence of the *pink tide*, a wave of left winged political leaders in the region, starting with the election of Hugo Chavez in 1998 (Hellinger, 2014, p.23). Between 2000 and 2005 most Bolivian citizens had become more and more disenchanted with the structural reforms. At the same time indigenous groups and broad social movements became more active (Crabtree & Whitehead, 2008, p.117). This eventually created the circumstances in which one of the most famous and infamous political leaders of Bolivia in contemporary history was elected president.

Much can be said about the 13 years in which Juan Evo Morales Ayma was president of Bolivia, but for this thesis we will look predominantly at the macroeconomic policies and events during his first 5 years as president. Perhaps the most important aspect about the beginning of Evo's presidency is the fact that he himself is an indigenous Aymara, and former *cocalero* or coca farmer. Morales seemed to enjoy high levels of support from a large fraction of the population. The rise of Morales cannot be seen without considering what happened in the wider region however. The Pink Tide, or wave of leftists presidents that seemed to conquer Latin America in the beginning of the 21st century started with Chavez and Morales' policy arguably followed a similar path. With the nationalization of the hydrocarbon sector in 2006, Morales regained control over a significant source of revenues which gave him a large degree of freedom with regards to his spending (Kaup, 2012). With this Morales has achieved a profound transformation of Bolivia. Over the entire period during which Morales ruled the country, poverty and extreme poverty have fallen dramatically and average economic growth was higher than at any point in the previous three decades (Arauz, Weisbrot, Bunker, & Johnston, 2019, p.1-2). Much of the policy of Evo Morales has also been focused on empowering previously marginalized rural and indigenous communities. One of the most important steps in this was the creation of a new constitution which acknowledged the different (indigenous) nationalities living in Bolivia and said farewell to the neoliberal past (Bohoslasky, 2020). Programs include the construction of schools and conditional cash transfers to a large part of the population, although it is still disputed whether or not these programs will be sustainable in the long term economically, and whether it will bring real societal change. Later in Morales' reign, criticism started mounting around his new candidacy. In this it can be seen that although he initially enjoyed support, he does not shun undemocratic means to power (Bohoslasky, 2020, p.141).

4.2 Comparison of Bolivian regimes

The time period under consideration can essentially be divided into two distinct regimes as was already apparent from the historical context described above. The first will be further called the neoliberal regime, and the second will be referred to as the Morales regime. Between these some similarities and differences will show-up. The high contrast between the regimes, combined with the very short time period in between them makes these regimes well suited for a comparative case study.

4.2.1 The neoliberal regime

When approaching the neoliberal regime from the perspective of the theoretical framework constructed in chapter one it is important to consider what its main sources of revenue and thus legitimacy are, and to what degree globalisation exerted pressure on the state. In figure 4.2 the tax revenues are shown on the left axis, and the revenue of natural resource rent is shown on the right axis. Note that just the rent does not present all revenues derived from natural resource extraction, but does give a good indication. The figure shows that after 1985 for a short time, both the corporate and consumer tax revenues grew, but that after 1994 consumer tax revenues started becoming less important. Clearly, revenues from natural resource extraction remain important throughout this period, as was also concluded in the previous chapter. This gives an indication that the regime mostly performs on the basis of revenues from corporate taxes and natural resources. Borrowing had been mostly suspended at this point as a high debt was still to be paid back to the IMF. Such a combination of revenues from both international corporations, and from natural resources presents a problem with respects to the four mechanisms proposed in chapter one. The increased FDI (see figure 4.1) indeed points to an increasing globalisation, although it is expected that regimes operating from revenues derived from natural resource extraction should be more independent, and more resistant to globalizing pressures. The apparent fusion of these two regimes may be explained by the fact that these two mechanisms are largely intertwined in this case, since the state itself did not have the capacity to extract resources at this scale and therefore needed the international investment. As international investments grow, and a larger share of Bolivia's revenues come from corporate taxes, the regimes responsibilities seemed indeed to shift towards these multinational corporations as tax levels were lowered. Another thing that happened which at this moment the model does not explain is that of domestic wealth extraction. The model assumes that the regime represents the state, and acts on behalf of the state. However, what is seen in Bolivia and perhaps in many other states is that the regime represents also the domestic elites. The lowering of corporate taxes and export tariffs is thus not only a response to pressures from a globalising market in order to attract mobile capital, it is also a form of self enrichment for the regime. Especially in more corrupt economies, this should be taken into account.

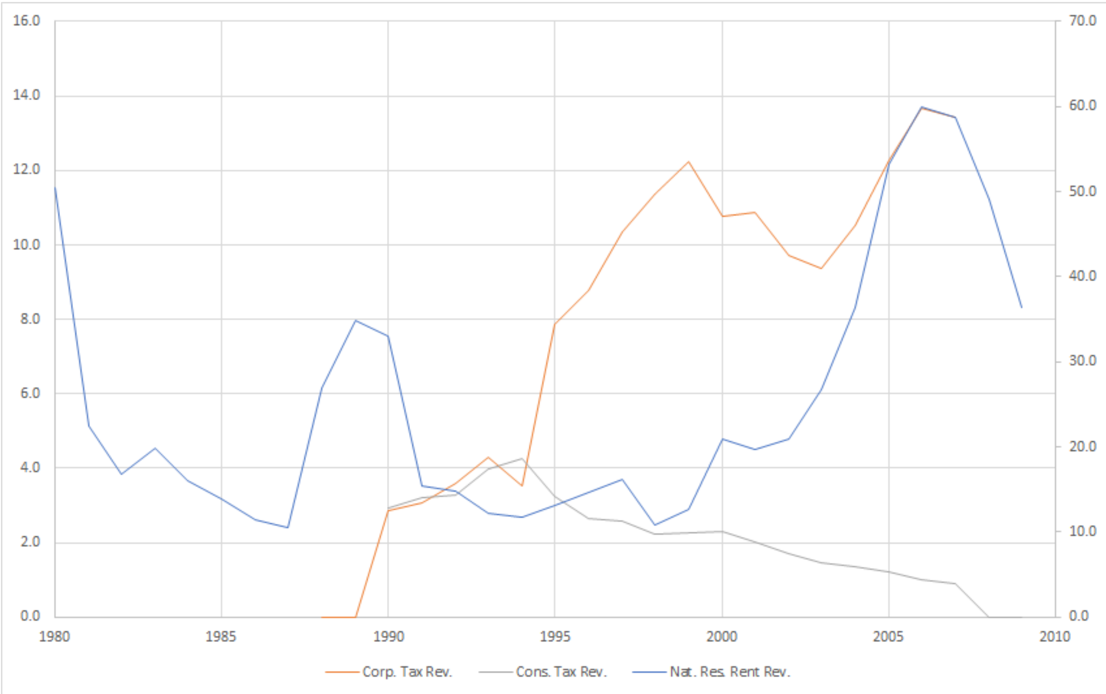

Figure 4.2: Revenues as a percentage of total revenue (The World Bank, n.d.)

4.2.2 The Morales regime

When looking at the Morales regime it was already concluded in chapter 2 that it has become increasingly reliant on the revenues coming forth from the exploitation of natural resources. Mainly hydrocarbons, but also other materials such as tin, lead, and increasingly lithium which is used for batteries. When following the logic of the natural resource state mechanism proposed in section 1.3.1, the expected response of the regime to globalisation would be as follows: The regime is not reliant on any party for its revenues, and thus is not held accountable by any party. A democratic mandate is not necessary to reign, as long as performance legitimacy is provided.

In this sense, the mechanism seems to fit Bolivia very well. Hydrocarbon revenues are used to fund social programs which has for a long time kept the population docile. The mechanisms also dictates that the states response to globalising pressures can be arbitrarily chosen, but is not necessarily in favour of globalisation. In this respect Bolivia is an interesting case because of its geographical situation. Ever since Peru and Bolivia lost large regions of land to Chile in the war of the Pacific in 1883, Bolivia has been landlocked (Wiarda & Kline, 2014). This has severely restricted Bolivia's capacities of exporting its hydrocarbons to its own desire. It has therefore been dependent on the region for this and as exporting through Chile has always been a sensitive matter, Brazil has been more than content to strike up a deal (Kaup, 2012). This introduced a new dependency however, which severely constricted the relative freedom which a natural resource state is expected to posses. Furthermore, there are two factors which the model does not consider. Primarily, without the neoliberal regimes earlier privatization and development it is highly unlikely that Bolivia would have been able to create the capacity to produce such volumes of hydrocarbons, and thus be able to rely on it (Kaup, 2012). The second point again lies in the influence of region, and more specifically the political culture in the region. Although the model does indeed identify the failure of performance of the regime, Bolivias economoy was in shambles and this created the necessary tensions amongst the population, it is difficult to assess whether or not Morales would have been as successful and widely supported had it not been for the pink tide. It is certain that the presence of like minded leaders made business easier for Morales.

Besides the large shift in the revenue source of the Morales regime, it also appears that the shift to a nationalized hydrocarbon industry had again stabilized the inflow of FDI during his early presidency (see figure 4.1), and even increased FDI inflow and foreign reserves later in his presidency (Johnston & Lefebvre, 2014). The rise in public expenditure would betray a responsibility towards the population on the surface, but it has later turned out that may have had more to do with co-option than with representation (Bohoslasky, 2020) (Arauz et al., 2019).

4.3 Conclusion

The conclusion of the case study is twofold. When combined with the data on Bolivia from the previous chapter it appears that for both the neoliberal regime and the Morales regime, mechanisms from the theoretical framework can be identified. These mechanisms explain the actions and relations for the regimes in some instances, but fall short in others. The neoliberal regime appears to be mostly a regime functioning of corporate taxes (see section 1.3.1) and as such has a responsibilities towards multinational corporations and as such, the regime adopted an open attitude to globalisation. Although these corporations are engaged in the extractive industry, the state itself lacked capacity to develop these industries and is not a pure *petro-state*. The conclusion that there is often a fine line between the natural resource state, and the corporate tax state had already been drawn in the previous chapter. Here it again appears that it is the question whether the extractive industries have been nationalized or privatized. The Morales regime effectively operates as a petro-state, and although public expenditure has risen the Morales regime could seize the now developed hydrocarbon industry and thus be independent of any real responsibility towards a constituency. As was hypothesised in section 1.3.1, the regime functioning on natural resource revenues has a large degree of freedom when it comes to globalisation, and it can indeed be seen that under Morales, discourse has been more anti-imperialist and anti-globalist. The largest criticisms on the model that are the result from this case study are that the model mainly looks at the international political economy of a state, and does not take into account the domestic economic actors sufficiently. Especially in a state where there is a degree of corruption and self-enrichment within the regime, the model falls short in explaining an actors actions. The second point of criticism is that the model does not take into account some of the regional constraints or influences. The fact that Bolivia is landlocked has severely restricted its freedom as a resource exporting state, and the political developments in Bolivia cannot be seen apart from the consecutive waves of neoliberalism and the pink tide in Latin America. the last point of criticism which comes forward from this case study is that at the moment, the model lacks tools to understand and explain transformations between one regime and the other.

Conclusion

This thesis has attempted to build upon a variety of models which aim to explain the manner in which states respond to economic globalisation, depending on the way in which their rule is legitimized. In the first chapter the regime is approached through an analysis of performance legitimacy. A concept which holds that regardless of the political orientation or degree of democracy or autocracy, the minimum any regime needs to function and to stay in power, is a source of revenue with which it can operate the state. From this revenue source, the regimes legitimacy is derived when considering it through the narrow perspective of performance legitimacy. Then the assumption is made that the regime has a responsibility towards this source of legitimacy. This is a concept often condensed into the popular phrase "no taxation without representation". In order for the regime to derive revenues and thus performance legitimacy from a source, the regime will have a responsibility to represent this source. In the model constructed in this chapter, four sources are identified and four regime types thus constructed:

1. The corporate tax regime
2. The credit regime
3. The natural resource regime
4. The income tax/Democratic regime

These four regime types have been based on the following popular theories regarding regime revenues and globalisation:

1. Tax competition and the race to the bottom, i.a. (Hay, 2000)
2. The consolidation state of (Streeck, 2016)
3. The petro-state, or natural resource state (Ross, 2012)
4. The globalization paradox of democratic states (Rodrik, 2011)

Based on the responsibility associated with these four regime types, mechanisms are constructed which try to explain how certain regimes may be most likely to act under different circumstances. The hypothesis is that the first two regime types will engage in competition with other states in order to attract mobile capital. This will put the responsibility of the regime with corporations or creditors and these regimes will adopt an open attitude towards globalisation. The natural resource regime has little responsibility towards a revenue source, and thus has relative freedom in its response to globalisation, although it must still conform to some of the regional political constraints. In the democratic regime, democratic politics is expected to present a larger pressure than globalisation, and this regime will thus adopt a more closed attitude.

In the second chapter the earlier considered theory is placed in contrast with the contemporary history and theoretical traditions of Latin America in the time period from the double transition to the middle of the first decade of this century. Given the similarity between many of the histories and cultures of these Latin American countries, as well as the dynamic political past and political culture the region makes for a good sample. It is found that there are some similarities, but also differences between these two collections of theory which mainly stem from the fact that in the first chapter, a large euro-centric approach is taken.

Chapter three aims to apply the theoretical framework to Latin America in a quantitative analysis. When looking at revenue sources of different states it is found that particular states, during a particular time period can often be categorized into one of the four regime types. Although the reliability of data is sometimes problematic in Latin America, the categorization are often understandable. It is also concluded that in general, the regime type in which a state has been classified, seems to be correlated with its response to globalisation in terms of tax rates and public expenditures. It must be noted however, that a lack of comprehensive data over a longer time makes it difficult to assess whether there is a causal relation, or merely a correlation.

In the fourth chapter a more thorough case study of Bolivia is performed. Some criticisms on the model appear from this case study. The first criticism is perhaps that the concept of performance legitimacy more heavily influences the behaviour of different actors when there is an apparent lack of performance. When this apparent lack of performance is not present, the actual source of the legitimacy is easily obfuscated and influenced by political rhetoric and careful framing, thus diluting the effect. Secondly, although the mechanisms at hand are identified in the case study, the model presently lacks any explanation on the transformation between mechanisms.

In conclusion it can be said that the framework unites four previously independent theories which all have some degree of similarity, namely that they explain the influence of globalisation on states in a given political economy. The constructed model with the current four mechanisms is still very stylized. In reality a combination of mechanisms will be at work, and regime response will also be influenced by other factors than the political economy. Nonetheless, the model can be very useful in explaining globalisation. The ways in which a regimes will conform to pressures of globalisation, which can be seen in decreasing taxes, public spending and more openness to investment, do indeed seem to be related to the revenues sources which a regime has. Previously, most theories centered around globalisation did not have a way to explain both globalisation, and an apparent trend of deglobalisation in some sectors or regions. With these four mechanisms, this is changed and some degree of deglobalisation may be explained. The practical application of the model as it was performed first on Latin America as a region and later on Bolivia shows that some of the mechanisms can indeed be identified in the real world. Some of the criticisms expected from the theoretical framework also surfaced however. As expected, regimes are often on a spectrum somewhere between the four regimes proposed. Furthermore, given the sometimes undeveloped state capabilities for data collection and statistical analysis in some of the less developed states under examination it was difficult to obtain good data, and therefore the conclusions from the analysis of the region as a whole should not be interpreted as a definitive truth. The model is best used as an analytical tool which may help in explaining greater trends in political economy and globalisation. In this way it can help to decrease the apparent lack in empirical evidence that many theories of globalisation suffer from.

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Appendix A

Revenues & macro economic indicators

This appendix holds most of the data used for the quantitative analysis in chapter 2. The data is presented in tabular form, and coded by colour. Although graphs may in some cases be preferred, such large sample size (20 states) would make for illegible graphs. The tables work with a colour scale, in which green lies at one extreme of the values found in the table, and red at the other end. In this manner, values between different economies, or for one economy at different points in time can easily be compared.

Revenu as % of GDP	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Argentina											10.4	11.2	12.3	15.1	14.9	14.0	13.0	13.6	13.8	14.0	14.2	13.8	14.1	17.2	16.7	16.6	17.2	17.9	19.0	20.1
Belize											25.4	24.0	23.4	21.9	21.9	21.0	22.3	22.0	21.9	23.0	20.4	20.8	21.3	21.4	21.5	23.5	24.0	25.8	25.0	25.2
Bolivia						9.8	13.2	13.1	12.5	12.8	13.7	14.9	15.2	16.0	16.4	16.2	17.2	17.0	17.7	17.9	17.8	16.9	18.4	18.8	20.2	23.0	23.2	23.3		
Brazil	22.6	24.1	24.7	25.4	23.2	26.1	22.3	34.1	19.8	21.4	22.8	20.8	23.0	25.3	26.3			21.5	18.3	19.2	19.6	20.5	21.5	20.7	21.4	22.4	25.7	25.8	27.0	24.0
Chile	30.4	28.8	27.9	26.8	28.2	26.2	25.1	23.4	20.6	20.0	18.8	20.3	20.8	20.9	20.1	19.7	20.6	20.6	20.5	20.2	20.9	21.0	20.3	20.2	21.2	22.9	24.4	25.9	24.5	19.0
Colombia																			18.2	18.0	15.5			22.8					21.9	20.9
Costa Rica	17.8	17.8	17.4	21.7	22.3	20.7	22.1	24.6	25.1	24.4	23.1	18.5	19.6	20.5	19.9	20.7	20.9	20.9	21.0	22.2	22.3	23.0	23.0	23.0	22.4	22.9	23.7	24.2	24.6	23.6
Cuba																														
Ecuador																														
Guatemala											7.9	9.0	10.1	8.9	7.6	8.4	8.8	8.9	9.5	10.3	10.2	12.0	12.5	12.2	12.1	11.7	12.5	12.6	11.9	10.9
Honduras	9.4	9.2																						20.0	20.8	20.7	21.1	22.1	22.7	20.4
Latin America & Caribbean	20.3	20.7	21.1	21.8	20.5	21.8	19.6	26.3	18.0	19.1	18.6	17.7	19.2	19.7	20.1			17.7	15.9	16.5	16.8								23.6	21.3
Mexico	14.3	13.5	14.5	15.8	15.0	14.5	14.2	15.3	14.7	15.9	15.4	15.0	15.4	12.0	11.9	12.2	12.3	11.8	10.4	11.0	12.1								20.6	17.7
Nicaragua											30.0	19.8	21.0	20.0	9.5	9.8	9.9	11.2	12.0	11.7	11.6	10.7	11.5	12.6	13.2	13.9	14.7	15.0	14.3	14.1
Panama																														
Peru	19.5	16.7	16.3	13.2	15.7	16.9	14.8	10.7	10.4	8.3	12.5	13.7	15.1	15.1	16.4	17.5	18.4	18.6	18.8	17.7	17.9	17.2	16.8	17.3	17.2	18.4	19.9	21.0	21.2	19.0
Paraguay																										14.5	14.7	13.9	13.9	14.6
El Salvador																			14.4	14.4	15.5	19.7	18.1	17.3	17.9	18.4	20.1	22.9	24.4	21.0
Uruguay	22.3	24.4	21.5	22.8	20.4	22.8	24.7	23.7	22.7	22.0	23.8	25.4	26.7	30.0	29.9	27.6	27.7	26.4	26.5	24.1	24.7	24.8	24.8	24.9	25.6	26.3	27.4	26.5	26.5	29.2
Venezuela																														

Figure A.1: Revenue as percentage of GDP (The World Bank, n.d.)

Natural resource rent % of GDP	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Argentina	6.4	5.3	3.2	3.4	4.2	3.5	1.3	1.9	1.6	3.7	2.6	1.2	1.2	1.2	1.1	1.3	1.6	1.5	0.9	1.4	2.4	2.0	5.7	5.0	4.9	5.7	6.1	5.0	5.1	3.3
Belize	1.3	1.1	1.7	1.0	0.7	0.6	0.5	0.8	0.7	0.7	0.8	0.7	0.6	0.6	0.5	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.3	3.1	4.0	6.0	4.0
Bolivia	11.4	5.4	4.2	5.1	3.7	3.6	2.6	3.6	5.3	7.5	7.5	3.2	3.4	3.1	3.1	3.3	3.7	3.5	2.0	2.4	4.1	4.0	4.5	5.5	7.8	11.9	15.4	15.1	13.3	8.7
Brazil	2.8	2.4	2.6	3.4	3.3	3.1	1.9	2.2	1.9	1.9	2.3	1.5	2.2	2.0	1.4	1.3	1.3	1.2	1.2	2.1	2.6	2.7	3.4	3.7	3.9	4.9	5.1	5.8	6.2	3.3
Chile	8.8	5.6	6.7	9.2	8.1	9.1	7.1	8.6	11.9	12.8	11.2	9.1	7.6	5.9	6.9	8.0	6.6	6.6	4.8	5.7	7.1	6.7	6.7	7.6	12.1	13.3	21.4	21.3	19.5	14.8
Colombia	4.9	4.0	3.0	3.5	3.6	4.0	3.2	5.4	4.1	6.0	6.9	4.1	3.5	3.0	2.3	2.8	3.6	3.0	2.0	4.1	5.7	3.8	3.9	4.6	6.1	6.5	7.4	6.7	8.7	4.9
Costa Rica	5.4	8.5	12.0	5.1	2.9	2.4	2.5	3.3	3.0	2.8	3.3	2.8	2.6	2.2	2.4	2.9	2.6	2.3	1.5	1.2	1.0	1.1	1.0	1.0	0.9	1.0	1.3	1.4	1.3	1.2
Cuba	0.8	0.8	0.6	0.5	0.5	0.6	0.3	0.4	1.5	1.7	0.9	0.7	0.7	0.6	0.5	0.8	1.0	0.9	0.5	0.7	1.7	1.0	1.2	2.0	2.9	3.3	4.2	7.0	3.7	2.0
Ecuador	11.4	8.1	6.0	9.5	10.1	10.4	5.8	6.4	8.4	10.5	13.2	7.3	8.0	7.4	6.7	7.4	8.9	7.0	3.9	8.0	16.3	9.3	8.2	9.0	13.3	17.7	18.8	16.9	18.7	9.2
Guatemala	2.2	1.6	2.8	1.3	0.8	0.5	0.6	0.7	0.6	0.6	1.9	1.7	1.6	1.4	1.4	1.6	1.3	1.5	1.2	1.3	1.6	1.5	1.5	1.6	1.5	1.6	1.9	1.9	1.9	1.6
Honduras	3.8	3.0	5.6	2.8	2.3	1.6	0.7	0.7	2.7	2.5	3.2	2.9	2.5	1.9	2.3	2.5	2.0	2.6	2.0	1.8	1.5	1.4	1.4	1.4	1.4	1.5	2.5	2.2	1.7	1.5
Lat. Am. & Carib.	8.7	6.7	5.4	7.1	6.8	6.3	3.3	4.6	4.0	5.0	5.5	3.0	3.3	2.7	2.4	2.7	3.1	2.7	1.7	2.7	4.0	3.2	3.7	4.3	5.5	6.9	7.9	7.5	7.9	4.7
Mexico	10.8	8.2	9.1	13.4	10.9	9.6	5.9	8.8	6.5	7.3	8.0	3.9	3.6	2.5	2.2	3.5	4.1	3.2	1.6	2.3	3.5	2.6	2.7	3.6	4.5	5.9	6.4	5.9	6.8	4.3
Nicaragua	5.1	3.8	6.1	2.7	1.1	0.9	0.9	0.7	1.1	2.8	6.7	5.2	3.8	3.1	1.7	2.0	1.6	1.9	1.6	1.3	1.2	1.1	1.1	1.3	1.3	1.2	1.8	1.7	1.7	1.7
Panama	0.5	0.4	0.7	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Peru	15.6	8.9	7.5	10.0	10.0	10.7	4.7	5.7	15.6	14.9	9.4	2.4	2.5	1.9	1.9	2.2	1.9	1.9	0.8	1.2	2.1	1.3	1.3	1.6	3.6	5.5	12.4	13.3	10.9	7.9
Paraguay	3.2	2.4	3.3	2.1	1.8	2.5	3.1	3.5	2.8	3.1	2.7	2.4	2.6	2.7	2.2	2.6	2.2	2.0	1.9	1.8	1.5	1.6	2.1	2.1	1.6	1.6	1.8	1.6	1.4	1.5
El Salvador	1.2	1.2	2.4	0.8	0.5	0.3	0.3	0.3	0.3	0.3	0.8	1.1	0.8	0.6	0.6	0.8	0.5	0.8	0.7	0.6	0.5	0.5	0.5	0.4	0.4	0.4	0.5	0.6	0.6	0.6
Uruguay	0.4	0.3	0.8	0.6	0.4	0.3	0.4	0.4	0.4	0.4	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.5	0.6	0.8	0.8	1.1	1.3	1.6	1.4
Venezuela	36.6	34.9	25.5	14.3	17.8	19.4	16.9	8.5	16.8	10.6	21.6	29.8	17.7	16.7	16.9	16.3	14.6	23.9	18.0	8.9	12.7	20.0	14.0	18.2	21.1	26.5	31.6	30.4	22.0	22.0

Natural resource rent % of revenue	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Argentina											10.2	4.9	5.0	5.3	4.8	6.1	7.3	6.7	4.0	6.2	11.9	9.5	26.9	23.3	22.7	24.4	25.4	19.4	20.4	13.0
Belize						5.7	3.5	5.9	5.3	5.1	5.6	4.9	4.2	3.6	3.2	4.0	3.2	3.1	2.5	2.1	1.5	1.6	1.5	1.5	1.2	1.2	13.4	17.3		
Bolivia	50.5	22.4	16.8	19.9	16.1	13.9	11.5	10.5	27.0	34.9	33.0	15.4	14.8	12.3	11.7			16.2	10.9	12.7	21.0	19.7	20.9	26.7	36.4	53.2	59.9	58.7	49.1	36.5
Brazil	9.3	8.3	9.4	12.5	11.6	11.9	7.8	9.3	9.1	9.5	12.1	7.4	10.7	9.4	7.2	6.5	6.2	5.9	5.9	10.2	12.5	12.7	16.5	18.1	18.3	21.5	20.7	22.2	25.2	17.2
Chile																			26.4	31.6	45.8			33.5					89.0	70.5
Colombia	27.4	22.6	17.0	16.2	16.2	19.4	14.5	21.9	16.5	24.4	30.0	21.9	18.1	14.7	11.5	13.7	17.4	14.4	9.4	18.6	25.4	16.7	16.8	20.1	27.1	28.3	31.4	27.6	35.5	20.6
Costa Rica																														
Cuba																														
Ecuador											167.4	81.3	78.7	82.7	87.9	88.0	101.0	78.6	40.6	77.3	160.3	77.2	65.4	73.8	109.9	151.0	150.7	133.9	158.1	84.8
Guatemala	23.1	17.3																						7.8	7.2	7.5	8.9	8.6	8.4	8.0
Honduras	18.7	14.5	26.7	13.0	11.1	7.3	3.5	2.6	15.3	12.9	17.2	16.3	12.9	9.5	11.6			14.9	12.3	11.1	9.0								7.4	7.2
Lat. Am. & Carib.	61.2	49.6	37.6	45.3	45.5	43.2	23.2	30.0	27.2	31.5	35.5	20.0	21.4	22.9	19.8	22.0	25.0	22.8	16.5	24.1	33.1								38.3	26.3
Mexico											26.6	19.9	17.1	12.4	23.1	35.6	40.9	28.3	13.7	19.6	30.5	23.9	23.5	28.2	34.0	42.7	43.3	39.1	47.6	30.1
Nicaragua																														
Panama	2.6	2.5	4.0	2.2	1.1	0.7	0.8	1.2	1.2	1.7	2.2	2.0	1.6	1.2	1.2	1.4	0.9	1.1	0.8	0.7	0.6	0.7	0.7	0.8	0.8	0.5	0.6	0.6	0.5	0.8
Peru																										37.8	84.3	95.4	78.8	54.3
Paraguay																			13.2	12.2	9.4	8.2	11.4	12.4	9.2	8.5	9.1	7.2	5.7	7.2
El Salvador	5.5	4.8	11.2	3.7	2.3	1.3	1.3	1.3	1.4	1.5	3.5	4.3	2.9	1.9	1.9	2.8	1.8	3.1	2.5	2.3	2.0	2.0	1.8	1.8	1.7	1.5	2.0	2.1	2.2	2.0
Uruguay																														
Venezuela																														

Figure A.2: Revenues from natural resource rent as percentage of GDP and total government revenues (The World Bank, n.d.)

Cons. tax revenue as % of GDP	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Argentina	0.2	0.0	0.3	0.5	0.7	0.7	0.9	0.9	0.9	1.0	1.3	1.3	1.1	1.2	1.3	1.4	1.4	1.4	1.5	1.6
Belize																				
Bolivia	0.4	0.5	0.5	0.6	0.7	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Brazil	0.3	0.2	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	2.0	2.0	2.1	2.2	2.2	2.3	2.4	2.3
Chile	1.1	1.2	1.3	1.4	1.4	0.9	1.0	1.1	1.3	1.3	1.4	1.5	1.3	1.2	1.1	1.1	1.0	1.1	1.2	1.3
Colombia	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.7	0.8	0.8	0.9	1.0	1.1	1.1	1.1	1.1	1.0
Costa Rica																	0.6	0.9	0.7	0.9
Cuba	0.1	0.1	0.1	0.2	0.4	0.5	0.9	1.0	1.1	1.0	1.0	0.9	0.9	0.9	0.9	0.8	0.6	0.7	0.7	0.8
Ecuador									0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Guatemala	0.1	0.2	0.3	0.3	0.4	0.4	0.3	0.2	0.2	0.2	0.1	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Honduras	1.0	1.2	1.3	1.2	1.0	1.3	0.8	0.8	1.2	1.0	0.9	1.0	1.0	1.1	1.3	1.3	1.5	1.7	1.6	1.5
Latin America & the Caribbean																				
Mexico													2.4	2.4	2.3	2.1	2.1	2.1	2.3	2.3
Nicaragua																				
Panama						2.3	2.4	2.2	2.2	2.3	2.4	2.3	2.3	1.9	1.8	1.9	1.9	1.9	1.9	1.9
Peru	0.1	0.1	0.4	0.7	0.9	1.0	1.0	1.0	1.4	1.9	1.8	1.7	1.4	1.5	1.5	1.4	1.4	1.4	1.6	1.6
Paraguay																				
El Salvador																				
Uruguay	0.6	0.6	0.4	0.4	0.3	0.7	1.6	1.5	1.4	1.7	1.8	1.6	2.3	2.4	1.5	1.1	1.3	1.8	2.3	2.3
Venezuela																				

Cons. tax revenu as % of revenue	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Argentina	1.93	0.2	2.4	3.5	4.6	5.2	6.9	6.2	6.6	7.1	9.0	9.2	7.5	7.2	7.6	8.5	8.1	7.9	8.1	7.8
Belize																				
Bolivia	2.9	3.2	3.3	4.0	4.3	3.2	2.7	2.6	2.2	2.3	2.3	2.0	1.7	1.5	1.4	1.2	1.0	0.9		
Brazil	1.5	0.7	0.6	0.8	0.9			1.3	1.6	1.5	1.4	1.4	9.1	9.7	9.8	9.9	8.5	8.9	9.0	9.6
Chile	5.7	5.8	6.0	6.6	7.0	4.7	4.9	5.3	6.2	6.3	6.7	7.0	6.4	5.8	5.1	4.6	3.9	4.2	5.0	6.8
Colombia									0.7	0.8	4.6			4.0					4.8	5.0
Costa Rica																	2.6	3.7	2.6	3.8
Cuba																				
Ecuador																				
Guatemala	1.0	2.4	3.0	2.9	4.6	4.5	3.3	2.2	2.0	1.5	1.1	1.7	2.4	1.8	1.7	2.6	2.6	2.7	2.7	3.1
Honduras														5.4	6.0	6.1	6.9	7.6	7.1	7.2
Latin America & the Caribbean																				
Mexico																			11.2	13.0
Nicaragua																				
Panama																				
Peru	0.5	0.7	2.8	4.4	5.3	5.5	5.5	5.6	7.2	10.6	10.3	9.9	8.5	8.9	8.5	7.3	7.1	6.9	7.4	8.4
Paraguay																				
El Salvador																				
Uruguay	2.4	2.3	1.4	1.2	0.9	2.7	5.6	5.5	5.3	7.0	7.2	6.6	9.3	9.8	5.9	4.2	4.8	6.6	8.7	7.7
Venezuela																				

Figure A.3: Revenue from consumer taxes as percentage of GDP and total government revenues (Economic Commission for Latin America & the Caribbean, n.d.)

Cons. tax revenue as % of GDP	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Argentina	0.2	0.0	0.3	0.5	0.7	0.7	0.9	0.9	0.9	1.0	1.3	1.3	1.1	1.2	1.3	1.4	1.4	1.4	1.5	1.6
Belize																				
Bolivia	0.4	0.5	0.5	0.6	0.7	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Brazil	0.3	0.2	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	2.0	2.0	2.1	2.2	2.2	2.3	2.4	2.3
Chile	1.1	1.2	1.3	1.4	1.4	0.9	1.0	1.1	1.3	1.3	1.4	1.5	1.3	1.2	1.1	1.1	1.0	1.1	1.2	1.3
Colombia	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.7	0.8	0.8	0.9	1.0	1.1	1.1	1.1	1.1	1.0
Costa Rica																	0.6	0.9	0.7	0.9
Cuba	0.1	0.1	0.1	0.2	0.4	0.5	0.9	1.0	1.1	1.0	1.0	0.9	0.9	0.9	0.9	0.8	0.6	0.7	0.7	0.8
Ecuador									0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Guatemala	0.1	0.2	0.3	0.3	0.4	0.4	0.3	0.2	0.2	0.2	0.1	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Honduras	1.0	1.2	1.3	1.2	1.0	1.3	0.8	0.8	1.2	1.0	0.9	1.0	1.0	1.1	1.3	1.3	1.5	1.7	1.6	1.5
Latin America & the Caribbean																				
Mexico													2.4	2.4	2.3	2.1	2.1	2.1	2.3	2.3
Nicaragua																				
Panama						2.3	2.4	2.2	2.2	2.3	2.4	2.3	2.3	1.9	1.8	1.9	1.9	1.9	1.9	1.9
Peru	0.1	0.1	0.4	0.7	0.9	1.0	1.0	1.0	1.4	1.9	1.8	1.7	1.4	1.5	1.5	1.4	1.4	1.4	1.6	1.6
Paraguay																				
El Salvador																				
Uruguay	0.6	0.6	0.4	0.4	0.3	0.7	1.6	1.5	1.4	1.7	1.8	1.6	2.3	2.4	1.5	1.1	1.3	1.8	2.3	2.3
Venezuela																				

Cons. tax revenu as % of revenue	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Argentina	1.93	0.2	2.4	3.5	4.6	5.2	6.9	6.2	6.6	7.1	9.0	9.2	7.5	7.2	7.6	8.5	8.1	7.9	8.1	7.8
Belize																				
Bolivia	2.9	3.2	3.3	4.0	4.3	3.2	2.7	2.6	2.2	2.3	2.3	2.0	1.7	1.5	1.4	1.2	1.0	0.9		
Brazil	1.5	0.7	0.6	0.8	0.9			1.3	1.6	1.5	1.4	1.4	9.1	9.7	9.8	9.9	8.5	8.9	9.0	9.6
Chile	5.7	5.8	6.0	6.6	7.0	4.7	4.9	5.3	6.2	6.3	6.7	7.0	6.4	5.8	5.1	4.6	3.9	4.2	5.0	6.8
Colombia									0.7	0.8	4.6			4.0					4.8	5.0
Costa Rica																	2.6	3.7	2.6	3.8
Cuba																				
Ecuador																				
Guatemala	1.0	2.4	3.0	2.9	4.6	4.5	3.3	2.2	2.0	1.5	1.1	1.7	2.4	1.8	1.7	2.6	2.6	2.7	2.7	3.1
Honduras														5.4	6.0	6.1	6.9	7.6	7.1	7.2
Latin America & the Caribbean																				
Mexico																			11.2	13.0
Nicaragua																				
Panama																				
Peru	0.5	0.7	2.8	4.4	5.3	5.5	5.5	5.6	7.2	10.6	10.3	9.9	8.5	8.9	8.5	7.3	7.1	6.9	7.4	8.4
Paraguay																				
El Salvador																				
Uruguay	2.4	2.3	1.4	1.2	0.9	2.7	5.6	5.5	5.3	7.0	7.2	6.6	9.3	9.8	5.9	4.2	4.8	6.6	8.7	7.7
Venezuela																				

Figure A.4: Revenue from consumer taxes as percentage of GDP and total government revenues (Economic Commission for Latin America & the Caribbean, n.d.)

Country Name	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Argentina	44.2	34.6	30.0	27.3	29.2	38.3	40.8	43.8	47.3	53.6	52.8	56.8	151.8	128.1	102.0	65.8	51.1	42.0	35.9	40.2
Belize	34.6	36.4	34.9	34.8	34.2	41.1	43.9	68.8	48.4	56.9	75.7	82.8	91.1	107.2	91.3	91.8	86.6	83.3	93.2	96.7
Bolivia	89.8	77.8	76.8	76.7	83.0	79.8	71.3	67.0	66.9	68.3	70.2	58.9	64.6	72.6	71.6	73.0	54.6	38.6	34.2	33.3
Brazil	26.0	20.1	32.3	33.0	27.4	20.9	21.4	22.5	28.0	40.9	37.0	41.1	45.7	42.3	33.0	21.1	17.5	17.1	15.5	16.9
Chile																				
Colombia	36.4	35.3	30.1	28.9	27.2	27.4	30.1	30.3	33.9	40.4	34.4	37.3	34.3	39.4	32.7	25.8	23.8	21.4	19.3	23.0
Costa Rica	67.3	57.3	47.1	41.3	38.1	33.5	30.4	27.9	29.1	29.7	31.4	30.7	30.7	32.9	30.8	32.5	30.9	31.4	28.9	25.4
Cuba																				
Ecuador	79.8	73.7	67.8	74.6	79.7	69.6	69.2	65.2	66.2	97.2	93.7	72.8	68.6	61.6	56.4	49.2	43.6	41.4	30.8	21.4
Guatemala	38.1	30.5	27.0	25.8	24.4	22.8	21.8	19.7	19.0	21.1	20.5	23.4	21.8	23.5	33.8	34.9	36.2	37.2	35.3	39.3
Honduras	77.5	74.9	80.3	90.0	103.2	91.8	92.2	86.2	80.1	87.1	79.1	68.2	70.6	69.5	70.7	53.5	36.8	24.4	25.4	26.2
Latin America & Caribbean																				
Mexico	40.0	36.5	31.0	26.3	26.5	46.3	38.3	29.7	30.4	28.0	21.6	21.9	20.4	21.8	21.2	19.5	17.5	18.6	17.8	21.5
Nicaragua	1087.4	747.5	636.3	663.7	321.1	255.8	143.3	144.0	137.6	132.0	133.6	120.0	123.3	128.8	87.9	79.3	62.0	55.4	55.5	71.1
Panama																				
Peru	76.9	60.6	56.8	67.9	59.3	58.0	52.5	51.1	55.1	58.5	55.7	53.3	51.9	51.5	47.5	38.8	33.0	31.6	28.8	30.9
Paraguay	37.4	30.5	23.6	22.8	27.4	28.9	26.6	25.1	30.5	38.9	35.1	33.7	46.9	88.4	76.6	77.3	71.2	60.0	50.9	62.4
El Salvador	46.3	43.3	40.4	29.8	28.2	28.8	30.0	31.3	30.3	33.3	38.5	43.5	48.3	65.1	66.7	65.5	62.5	58.0	59.4	59.1
Uruguay																				
Venezuela, RB	68.3	63.8	62.7	62.5	63.2	46.2	50.7	51.6	54.2	50.0	42.2	38.0	48.1	55.9	40.4	34.0	26.9	28.3	23.2	28.6

Figure A.5: External debt as percentage of GDP (The World Bank, n.d.)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Argentina	33	33	33	33	33	33	33	33	33	33	20	20	20	30	30	30	30	33	35	35	35	35	35	35	35	35	35	35	35	35
Bolivia	30	30	30	30	30	30	30	0	0	0	0	0	0	0	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25
Brasil	0	0	0	0	0	0	0	0	0	0	0	50	50	45	45	53	33	33	33	37	34	34	34	34	34	34	34	34	34	34
Chile	10	10	10	10	10	10	10	10	10	10	10	15	15	15	15	15	15	15	15	15	15	15	16	16.5	17	17	17	17	17	17
Colombia	40	40	40	40	40	40	33	32	31	30	30	30	30	30	30	30	35	35	35	35	35	35	35	38.5	38.5	38.5	38.5	34	33	33
Costa Rica	45	45	50	50	50	50	50	50	50	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Ecuador	20	20	20	20	20	20	20	20	20	20	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25
El Salvador	30	30	30	30	30	30	30	35	35	35	30	30	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25
Guatemala	48	48	48	48	42	42	45	45	34	34	34	34	34	25	25	30	30	30	25	25	25	31	31	31	31	31	31	31	31	31
Honduras	40	40	40	40	40	40	40	40	40	40	40.25	40.25	40.25	40.25	35	35	35	35	30	25	25	25	25	30	30	30	30	30	30	30
México	42	42	42	42	42	42	42	40.6	39.2	37	36	35	35	34.8	34	34	34	34	34	35	35	35	35	34	33	30	29	28	28	28
Nicaragua	50	50	40	40	40	40	40	40	40	40	38.5	35.5	35.5	30	30	30	30	30	30	30	25	25	25	25	30	30	30	30	30	30
Panamá	50	50	50	50	50	50	50	50	50	50	50	47.5	45	42	34	34	34	30	30	30	30	30	30	30	30	30	30	30	30	30
Paraguay	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	20	10	10	10	10
Perú	55	55	55	57	55	55	40	35	35	35	35	30	30	30	30	30	30	30	30	30	30	30	27	27	30	30	30	30	30	30
Rep. Dominica	38	38	38	38	46	46	46	46	46	46	46	46	30	27	26	25	25	25	25	25	25	25	25	25	25	25	30	25	25	25
Uruguay	25	25	30	30	30	30	30	30	30	30	40	30	30	30	30	30	30	30	30	30	30	30	35	35	35	30	30	30	25	25
Venezuela	50	50	50	50	50	50	50	50	50	50	50	50	30	30	30	34	34	34	34	34	34	34	34	34	34	34	34	34	34	34

Figure A.6: Highest corporate tax rate (Centro Interamericano de Administraciones Tributarias, n.d.)

FDI inflow	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Argentina	0.88	1.06	0.27	0.18	0.34	1.04	0.52	-0.02	0.91	1.34	1.30	1.29	1.94	1.18	1.41	2.17	2.55	3.13	2.44	8.46	3.67	0.81	2.20	1.29	2.51	2.65	2.38	2.25	2.69	1.21
Belize		-1.02			-1.73	1.74	1.99	2.44	4.37	5.05	4.17	3.06	3.01	1.64	2.65	3.39	2.59	1.83	2.56	7.31	3.55	7.02	2.73	-1.10	10.54	11.39	8.94	10.88	12.40	8.15
Bolivia	2.01	2.54	1.10	0.24	0.21	0.35	0.51	1.57	-0.22	-0.52	0.56	0.97	1.65	2.16	2.18	5.85	6.41	9.22	11.17	12.20	8.77	8.67	8.56	2.44	0.75	-2.50	2.45	2.79	3.07	2.44
Brazil	0.81	0.96	1.03	0.79	0.76	0.65	0.13	0.40	0.85	0.27	0.21	0.18	0.51	0.30	0.55	0.63	1.32	2.22	3.69	4.77	5.03	4.15	3.27	1.81	2.72	1.73	1.75	3.19	2.99	1.89
Chile	0.73	1.11	1.58	0.66	0.40	0.82	1.67	4.00	3.72	4.29	2.00	2.17	2.04	2.10	4.53	4.03	6.17	6.21	5.67	11.65	6.24	5.92	3.66	5.32	6.85	6.07	4.90	7.76	10.28	8.04
Colombia	0.47	0.73	0.94	1.60	1.53	2.93	1.93	0.88	0.52	1.46	1.05	0.93	1.25	1.44	1.77	1.05	3.20	5.21	2.87	1.75	2.44	2.59	2.18	1.82	2.66	7.05	4.19	4.32	4.37	3.46
Costa Rica	1.09	2.65	1.11	1.93	1.53	1.78	1.38	1.77	2.65	1.93	2.85	2.49	2.65	2.59	2.85	2.93	3.67	3.25	4.50	4.36	4.84	3.91	4.38	4.50	5.85	7.66	7.97	8.38	7.96	5.28
Cuba																														
Ecuador	0.39	0.28	0.20	0.29	0.30	0.36	0.53	0.88	1.19	1.15	0.83	0.94	0.98	2.50	2.54	1.85	1.98	2.57	3.11	3.30	-0.13	2.20	2.74	2.69	2.29	1.19	0.58	0.38	1.71	0.49
Guatemala	1.41	1.48	0.88	0.50	0.40	0.64	0.95	2.12	4.21	0.91	0.62	0.96	0.90	1.25	0.50	0.51	0.49	0.47	3.47	0.84	-4.09	-5.01	-4.89	0.09	1.34	1.98	2.10	2.52	1.92	1.85
Honduras	0.15	-0.09	0.32	0.47	0.42	0.52	0.53	0.62	0.82	0.94	0.88	1.12	0.96	0.54	0.75	0.94	1.74	2.12	1.56	3.70	4.93	4.10	3.70	4.79	6.75	6.21	6.62	7.88	8.71	3.41
Latin America & Caribbean	0.86	1.01	0.87	0.78	0.60	0.83	0.60	0.49	0.87	0.82	0.75	0.95	1.13	0.92	1.66	1.66	2.22	3.06	3.38	4.51	3.64	3.41	2.97	2.36	3.06	3.25	3.21	3.50	3.45	2.27
Mexico	1.02	1.17	1.03	1.40	0.84	1.02	1.51	0.80	1.11	1.26	0.98	1.51	1.21	0.88	2.08	2.65	2.24	2.56	2.42	2.31	2.60	3.97	3.12	2.50	3.19	2.97	2.12	3.14	2.90	2.15
Nicaragua	0.57	0.00	0.40	0.00	0.24	0.00	0.00	0.06	0.00	0.28	0.07	2.82	0.84	2.21	1.21	2.15	2.79	4.63	4.71	6.95	5.22	2.82	3.90	3.78	4.31	3.81	4.24	5.14	7.38	5.23
Panama	4.74	5.81	6.35	1.34	-2.19	1.03	0.30	-8.15	-10.1	0.87	2.11	1.53	1.80	1.93	4.29	2.33	4.21	12.17	10.39	6.23	6.73	4.85	1.90	7.67	8.51	6.74	16.23	10.44	9.50	4.00
Peru	0.15	0.58	0.22	0.22	-0.51	0.01	0.14	0.15	0.17	0.26	0.16	-0.02	-0.22	2.16	7.33	4.80	6.28	3.68	2.96	3.87	1.56	2.20	3.94	2.27	2.39	3.39	3.91	5.37	5.74	5.32
Paraguay	0.71	0.57	0.68	0.09	0.12	0.02	0.02	0.13	0.20	0.27	1.32	1.23	1.64	1.03	1.74	1.14	1.53	2.37	3.69	1.07	1.22	1.17	1.26	-0.75	0.98	0.07	1.40	0.59	1.37	0.12
El Salvador	0.16	-0.17	-0.03	0.80	0.34	0.33	0.64	0.46	0.40	0.33	0.04	0.48	0.26	0.25	0.03	0.43	-0.05	0.58	10.09	1.91	1.47	2.27	3.71	1.07	2.65	3.48	1.51	9.11	5.02	2.09
Uruguay	2.85	0.44	-0.15	0.11	0.07	-0.17	0.63	0.68	0.57	0.45	0.45	0.29	0.09	0.68	0.88	0.81	0.67	0.53	0.65	0.98	1.15	1.49	1.32	3.34	2.58	4.76	7.70	5.80	7.05	5.06
Venezuela	0.18	0.09	0.28	0.38	0.13	0.03	0.11	0.03	0.04	0.15	0.49	0.93	3.58	1.04	0.62	1.39	1.27	3.09	7.22	5.46	2.95	4.01	3.01	0.82	1.88	1.32	1.68	0.11	1.89	0.66

Figure A.7: FDI inflow as percentage of GDP (The World Bank, n.d.)

Country Name	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Argentina											10.3	11.2	11.8	14.3	14.9	15.5	15.2	15.0	15.1	16.7	16.8	17.0	19.7	19.8	16.9					
Belize											16.7	17.0	18.2	19.7	21.1	18.6	18.7	19.3	19.2	19.9	17.9	19.4	18.9	21.4	25.4	24.6	25.5	23.7	23.2	25.1
Bolivia							12.0	12.2	11.7	13.1	14.2	14.5	17.6	20.4	19.0	17.7	18.8	19.7	19.7	20.5	20.6	24.2	28.8	28.2	27.2	26.0	23.9	21.8		
Brazil	18.6	18.8	19.4	19.4	19.6	24.4	26.0	23.6	30.1	36.6	34.2	23.5	28.5	36.5	32.2			21.8	21.9	21.7	21.4	22.6	22.6	24.7	22.7	25.4	27.8	26.8	27.3	26.3
Chile	24.2	25.5	30.7	29.1	29.7	25.7	24.0	21.1	19.3	17.7	16.8	17.1	16.6	16.6	16.0	15.1	15.8	16.0	17.3	18.8	20.2	20.2	20.3	19.6	18.2	17.5	16.1	16.3	18.6	21.4
Colombia																			19.3	22.1	16.9			27.6					24.6	24.7
Costa Rica	21.6	18.1	16.6	21.0	20.0	19.5	24.3	25.6	23.2	24.4	24.2	18.5	17.9	19.5	23.1	21.7	22.6	21.5	21.2	22.2	22.1	22.8	24.7	23.7	22.6	22.8	21.7	21.3	21.8	24.9
Cuba																														
Ecuador																														
Guatemala											9.1	8.2	9.6	8.6	7.9	7.6	8.0	8.3	9.4	10.5	10.9	13.2	12.8	14.3	12.7	12.8	13.0	12.5	11.7	12.4
Honduras																								20.9	19.5	19.9	19.9	22.4	22.0	23.6
Latin America & Caribbean	16.5	17.1	20.6	20.3	19.7	22.8	24.9	24.0	26.4	28.6	24.8	18.5	21.0	24.6	22.5			17.8	17.7	18.3	18.1								24.4	24.1
Mexico	10.9	12.6	22.0	21.0	18.7	20.5	24.9	27.3	23.8	19.3	16.9	13.8	13.4	10.9	10.9	11.9	11.7	12.2	11.2	12.0	12.7								22.1	21.6
Nicaragua											65.2	23.7	24.4	25.2	11.3	10.9	10.8	11.3	11.4	12.7	12.7	14.4	12.2	13.2	12.9	13.7	15.1	14.7	15.2	15.5
Panama																														
Peru	18.8	17.4	16.4	18.3	17.4	17.0	16.9	15.9	13.2	13.0	19.5	14.4	17.1	15.2	15.4	17.5	17.0	16.6	16.9	17.8	18.4	18.2	17.6	17.8	17.4	18.0	17.1	18.1	17.8	18.5
Paraguay																										12.3	12.4	11.5	10.8	12.6
El Salvador																			12.0	14.2	15.0	23.0	20.2	17.3	19.6	20.5	22.5	20.5	22.8	25.9
Uruguay	20.2	23.8	27.8	24.6	24.5	23.9	24.1	23.1	22.4	22.9	21.9	23.4	25.0	28.9	30.2	27.1	27.8	26.3	26.1	26.4	26.6	27.3	27.9	27.9	26.6	26.6	26.9	26.5	25.6	29.1

Figure A.8: Public expenditure as percentage of GDP (The World Bank, n.d.)