Taxation and Political Development

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Introduction

Rich countries are generally ruled by developed states, i.e. states that are both (a) *effective* and(b) *accountable* to their citizens - not despotic, rarely arbitrary, and substantially democratic. Poor countries provide a more diverse picture, but are on average ruled by states that are both (a) relatively *ineffective* - i.e. are unable to rule many of their nominal citizens or to pursue any kind of collective interest in an authoritative fashion - and (b) relatively *arbitrary, despotic* and *unaccountable*. Why should this be the case? The literature provides us with three general explanations, all of them rooted in international relations and in history:

(i) Many Third World states are both relatively recent and the product of simple, brutal (colonial) conquest. This is especially true of Sub-Saharan Africa, where colonial conquest was relatively recent and swift, and took place in a context where the differences between conquerors and victims in military and organisational technology were unusually large, where the process of re-drawing the borders of pre-colonial polities was especially radical, and where there was relatively little co-option of local elites into the system of colonial rule (Young, 1994). Colonial and post-colonial states were often rooted more in the arid soil of coercion and conquest than in the rich compost of history, tradition, cooperation and consent. The states of the rich countries have had longer to mature.

(ii) Once the now-rich states became more powerful, they became 'puppet-masters' in relation to the rulers of poor states. During the Cold War in particular, many Third World governments were able to profit from a bargaining position in relation to great power rivalry that had earlier in the century been confined mainly to some puppet and quasi-puppet regimes in the Middle East. Exploitation of these rivalries could generate valuable support from abroad, including cash and the military equipment and, sometimes, the active military back-up that might reduce internal political support to an optional extra rather than a basic necessity for effective rule (Luckham, 1996; Tilly, 1992: chapter 7).[65]

(iii) The former European colonies in Africa, Asia, the Pacific and the Caribbean became independent after the operative rules of the international state system had effectively been re-written with the creation of the United Nations. The previous rule - the product of the competitive basis of European state formation - was that effective control of territory and populations - the demonstrated capacity to resist internal and external political rivals - was the main condition for recognition of statehood by other states. After 1945 in particular, effective control of territory and populations ceased to be the de facto condition for recognition by other states. To be the legitimate successor of colonial rule was itself adequate to guarantee the recognition and the more substantial material resources, including international aid, that accrue to those holding governmental power. And in most of the ex-colonial world, but most strikingly in Sub-Saharan Africa, Darwinian processes of inter-state competition were not only discouraged, but positively ruled out by the new international and regional state systems. Governments that lost effective control of the populations and territories over which they nominally ruled did not as a matter of course fear wholesale predation on the part of their neighbours. There was conflict aplenty, but almost all internal (Tilly, 1992: 201). The incentives for states to maintain control of their territories and populations - to rule as well as to reign - have thus diminished in favour of incentives to nourish connections to the international state system (Jackson, 1990).

If this were the end of the story, it would make very depressing reading. For these explanations of the political underdevelopment of poor countries are all 'deep history'. Are we saying that history is fate, and that poor countries

[65] "To the extent that their states generated revenues by selling commodities on the international market, bought arms overseas, and received military aid from great powers, ... the armed forces enjoyed insulation from reliance on taxation and conscription authorised by civilian governments" (Tilly, 1992: 200-1).

have simply to hang on in there for a few more decades (or centuries?) until their state systems have matured? Not at all. For there is another explanation of the political underdevelopment of contemporary poor countries that has both (a) been neglected practically and intellectually and (b) is much more amenable to positive remedial action in the medium term. This is the fact that poor states depend to an unhealthy degree on 'unearned income' - and not on tax revenues earned from their own citizens.

Unearned Income

What do I mean here by 'earned' income? The term is not used normatively. It refers to the notion of 'working for' something, i.e. putting purposive effort into attaining it.[66] More precisely, I use it here to refer only to the state in relation to the mass of its citizens (or subjects). State income is 'earned' to the extent that the state apparatus has to put in effort in working with citizens in order to get its money. There are two criteria we can use to judge how far state income is earned:

(i) *Organisational effort*: How large, elaborate, differentiated and efficient is the bureaucratic apparatus that the state deploys to collect its income? A state that has a number of distinct and effective services to assess and collect, for example, income, property, customs and turnover taxes, is working much harder for its income than is a state that receives a large annual cash subvention from an oil-rich neighbour and collects the remainder through a flat rate import duty.

(ii) *Reciprocity*: How far are citizens obtaining some reciprocal services in return for their tax contributions? 'Reciprocal services' range from (a) what we may term 'rudimentary' (a state apparatus that does not coercively and arbitrarily exploit citizens when collecting taxes or otherwise interacting with them); through (b) a 'minimal contractual relationship' (the provision of law, order, justice and security); to (c) 'extended reciprocity' (e.g. the services associated with 'welfare' and 'developmental' states).

States earn their income to the extent that they both (a) deploy an extensive organisation to collect it and (b) provide reciprocal services to citizens - even

66 The use of the concept of 'earned income' is in fact a logical extension from the term 'rentier': rentier income is 'unearned' in the language of classical political economy.

if those services are intended solely to increase citizens' future taxable capacity. Note that the operations of the state "in relation to the mass of its citizens" is part of my definition of earned income. It follows that the deployment of a relatively elaborate bureaucratic apparatus to nurture, monitor and tax a concentrated, major income source - for example, a large phosphate deposit - would lead to a lower ranking on the 'earnedness' scale than would a similar effort that was more widely dispersed. The same would apply to the efforts of a state to establish a good relationship with a major aid donor. One indicator of the extent to which state income is earned is the proportion of potential income providers who are brought into the revenue net.

What is the political significance of dependence on unearned income?

Public Finance and State-Society Relations

Political economy has its origins as a distinct discipline in concerns about taxation and public finance. These same topics are among the staples of contemporary economics and political science. Yet we have available no general theoretical or conceptual framework about the connections between state income sources and state-society relations that could be used to begin to tackle the questions set out above.[67] We have to construct our own framework. Fortunately, we do not have to construct it from scratch. For a number of groups of scholars have recently been working on these issues in specific geographical and historical contexts, often with reference to contemporary developing countries.[68] They offer a number of generalisations and hints that can be combined to create a framework - some concepts and some causal propositions - that enables us to talk in general terms about these issues and reach some plausible conclusions.

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[67] The existing jargon of taxation specialists does not even provide the basic tools for this purpose. Tax specialists are mainly concerned with operational, economic values of simplicity, efficiency and equity, while my focus is on broader and more abstract issues of the place of taxation in the shaping of state-society relations. My emphases and biases, especially the notion that in some circumstances the existence of active revenue-raising bureaucracies has an intrinsic political value almost independent of the revenue actually raised, run counter to some of the core assumptions of taxation specialists.

[68] As Bachman (1987: 119) explains, political scientists working on developing countries have only recently shown much interest in issues of revenue and taxation.

I draw in particular on a rich seam of political science research on the contemporary Middle East centred around the concept of 'rentier states'.[69] The proposition driving this work is that the unusually authoritarian nature of twentieth century Middle Eastern regimes[70] stems not from cultural legacies (Ottoman, Arab or Islamic), but from the fact that most Middle Eastern governments have been 'rentiers' in a fiscal sense: dependent on foreign grants (and military support), revenues from the export of natural resources (oil and phosphates), and income from 'location-specific physical infrastructure' (canals, oil transmission lines, military bases); and largely independent fiscally of their own citizens. Another major source of inspiration is comparative historical work on the evolution of constitutional and representative government in Europe that identifies as a key factor the emergence of 'bargaining' between state executives and controllers of capital over levels and modalities of taxation.[71] The counter-insurgency intellectuals, employed to help deal with the problems of some of the Western nations' Third World allies during the Cold War, developed some useful insights into the local political consequences of states' fiscal independence of their citizens (Odon, 1992: 219). Finally, and in mid-stream, Jean-Francois Medard, a specialist on African politics, explained to me how well the ideas presented here fitted his own conception of a significant categorical divide among African states, between the 'mineral-based' states where patrimonial, personal rule flourishes (e.g. Angola, Gabon, Nigeria, Sierra Leone, Zaire), and the 'agricultural' states, of which Cote d'Ivoire is the extreme case, where political authority has generally been more institutionalised.

From the ideas contained in these various bodies of literature, one can build up a general argument about the connection between sources of government finance and state-society relations: **The more government income is 'earned', the more likely are state-society relations to be characterised by**

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[69] Mahdavy (1970) is generally cited as the originator of the concept. His work was substantially economistic. I have relied more on recent scholars who have developed the political dimensions of the concept: (Anderson, 1994 and 1995; Chaudhry, 1989; Shambayati, 1994). Mahdavy (1970: 428) defined the rentier state in terms of dependence on <u>external</u> rents, but classified oil revenues as 'external' on grounds that are difficult to accept. Later discussion of the precise definition of 'rentier state' and of alternative concepts such as 'exoteric' (versus 'esoteric') and 'allocation'(versus 'production') states – (e.g. Beblawi and Luciani, 1987: especially 1-21) - do not appear to have advanced us very far.

[70] In cross-national comparisons, countries of the Middle East consistently score lower in terms of democracy, civil liberties etc. than other countries at similar income levels.

[71] There is a large literature on this topic. The key references are Bates and Lien (1985) for the formalisation of the argument and Tilly (1992) for historical comparisons of the different state trajectories.

accountability, responsiveness and democracy; and the more likely is the state to be bureaucratically effective.

This proposition, the keystone to the argument of this paper, is deeply rooted in the recent research literatures listed above. I go beyond those literatures here in the sense that I try to make explicit arguments that are left implicit there, and are in some respects more problematic than they first appear.

Two Africa specialists have recently drawn our attention to the connections between state income sources and the relative weakness and non-accountable nature of contemporary Fourth World states (Brautigam, 1991 and 1996; Guyer, 1992). To make their case they have used a mixture of historical and intuitive arguments, both with a strong deductive element. Let us take first the historical arguments.

The most direct historical evidence relates to the origins of representative government in Western Europe, especially in England and France (Bates and Lien, 1985). Representative government originated in political struggles between rulers and private owners of capital about the linkage between taxation and representation. A deal was struck and, over time, institutionalised and extended: owners of capital, in the form of members of legislatures elected on very narrow franchises explicitly to represent 'interests' (i.e. property), obtained influence - and eventually control - over levels of government spending, the composition of revenue, and rates of tax. The predictability and stability of taxes that could result from a negotiation process was to the advantage of both sides. Rulers could borrow more easily and cheaply on the strength of expected revenues; property owners could accurately estimate their future tax obligations; and both sides could gain from a less contested and arbitrary process of tax collection. The owners of capital had necessarily to be represented corporately for such bargaining to be effective.

However, such representative negotiating institutions did not take root everywhere. While cultural context was no doubt important, a major factor affecting their presence and vitality was the extent to which capital was *mobile* (i.e. in the form of financial and trading assets) rather than fixed (especially landed property). For there was particularly wide scope for shared gains from cooperation between rulers and owners of mobile capital involved in (international) trading and financial operations. Owners of mobile capital had two particular interests in such a deal. One was protection against the arbitrary and exploitative taxation practices - e.g. sudden changes in tax rates or introduction of new taxes - to which they, more than landowners, were especially vulnerable because such a high proportion of their assets were in goods that could easily be confiscated by political authorities. The other was direct, legitimate influence over the military and diplomatic policies and apparatuses of the state, that could be used against competing trading nations.[72] In granting domestic political influence to owners of mobile capital, rulers could reasonably hope (a) to reduce the incidence of tax evasion (b) to retain within their jurisdiction existing capital owners and their business, and thus benefit from the taxes they paid and the loans they might advance to the crown, and (c) to attract other capital owners from other political jurisdictions where they had less political influence and less personal and economic security. There was inter-state competition for the allegiance of owners of mobile capital that did not operate in the case of owners of real estate.

The evidence on the causal link between representative government and states' fiscal dependence on citizens is in the English and French cases direct and graphic: the debates and disputes surrounding the emergence of parliamentary power were framed, at least by supporters, in terms of an exchange or contract between state and citizens that was later succinctly summarised as 'no taxation without representation'. Other historical evidence is based on a similar understanding of the logic of cooperation between states and capital but has a more inductive basis: Charles Tilly's (1992) long term comparison of the development since AD 990 of European states located in different economic zones. In a book that has received great acclaim from historians, Tilly uses the idea of a continuum of patterns of state formation, from 'coercion intensive' to 'capital intensive'. 'Coercion intensive' states relied heavily on simple physical coercion to obtain the resources they needed from their subjects and to ensure compliance. By contrast, the 'capital intensive' relationship was more one of state-citizen than state-subject. States obtained their revenues through regularised taxes on economic activities or wealth, permitted those who paid the taxes some say in their imposition, purchased goods and services through the market more than they 'commanded' them, and permitted a substantial devolution of power to municipal governments controlled by the wealthy. In the more extreme cases of the Mediterranean and North European city states - Venice, Milan, Genoa, the early Dutch Republic, the Hanseatic League - municipality and state were virtually merged, and both controlled by coalitions of trading oligarchs. The 'capital intensive' strategy was more common in wealthier areas with substantial trade, and the 'coercion intensive' strategy the norm in the poorer,

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[72] Crudely, overseas trade was heavily backed by state military power. Landowners did not have the same interest in the use of state military power outside national borders.

agricultural areas. This makes sense in terms of the logic of cooperation set out above. Where there was little mobile capital and little prospect of attracting any, rulers' objectives were more likely to be achieved through coercive taxation (and appropriation) and an (often unstable) alliance with landowners who were permitted wide discretionary power over the populations under their control. The state income obtained by such means ranks low in the 'earnedness' scale: there was no elaborate, dedicated taxation apparatus and little reciprocity in the state-citizen relationship.

There is then considerable historical evidence for the proposition that the emergence of *accountable* government is more likely in situations where states face incentives to increase income through bargaining with citizens. Similarly, the taxation process has been central to the emergence of *effective* government. Tilly again:

> ".... the central paradox of European state formation: that the pursuit of war and military capacity, after having created national states as a sort of by-product, led to a civilianization of government and domestic politics. That happened .... for five main reasons: because the effort to build and sustain military forces led agents of states to build bulky extractive apparatuses staffed by civilians, and those extractive apparatuses came to contain and constrain the military forces; because agents of states bargained with civilian groups that controlled the resources required for effective warmaking, and in bargaining gave the civilian groups enforceable claims on the state that further constrained the military; because the expansion of state capacity in wartime gave those states that had not suffered great losses in war expanded capacity at the ends of wars, and agents of those states took advantage of the situation by taking on new activities, or continuing activities they had started as emergency measures; because participants in the war effort, including military personnel, acquired claims on the state that they deferred during the war in response to repression or mutual consent but which they reactivated at demobilization; and finally because wartime borrowing led to great increases in national debts, which in turn generated service bureaucracies and encouraged greater state intervention in national economies" (Tilly, 1992: 206).

States that lived from taxing their citizens were obliged to develop effective taxation bureaucracies. The processes for doing so - notably meritocratic recruitment and institutionalised mechanisms for ensuring that the state's agents handed over to the state the revenue they raised - had a spillover effect on the quality of public bureaucracy generally.

The business of successful state-making in Europe comprised two main components: a Darwinian process of inter-state military competition; and an intra-state process of resource mobilisation for war that stimulated the creation of state-society linkages, markets, bureaucracies, taxation systems and all the paraphernalia of a modern civilianized state. In the process, the nature of 'powerful' states underwent a change. States generally lost 'despotic power', i.e. direct, arbitrary control over individual citizens. But they gained enormously in 'infrastructural power', i.e. the capacity to penetrate society, to extract resources from it, and to cooperate with social classes and groups in achieving collective goals (Weiss and Hobson, 1995: chapter 1). The history of the emergence of contemporary Third World states, diverse though it is, generally has been different. Some of those differences have already been outlined above. The extent and implications of dependence on unearned incomes are examined below.

The Unearned Income of Contemporary Poor States

Many contemporary poor states are heavily dependent on mineral royalties - mainly oil, but also diamonds and a range of other mined products. We cannot give precise figures on the extent of dependence: it is a characteristic of states that depend on unearned incomes that they are not accountable, and do not publish reliable or comprehensive figures on government income and expenditure. In 1991, there were about 30 countries in the world where minerals accounted for at least 10% of GDP (Davis, 1995:1771). We can assume that most of their governments depended heavily on the mineral sector for their income. Despite their relatively high average per capita incomes, these countries notoriously and consistently score low on measures of (a) democracy or accountability and (b) the welfare of their citizens - for example, mortality, longevity, literacy and access to education. They are prone to authoritarian rule and coups, and generally have large military and police establishments but poor quality public bureaucracies. In sum, their governments are both *unaccountable* and *ineffective*. How does this dependence on unearned mineral revenues help bring about these outcomes? The previous discussion suggests five distinct mechanisms:

(i) The state apparatus, and the people who control it, have a 'guaranteed' source of income that makes them independent of their citizens ('subjects'?). Why listen to citizens? Or give them any kind of democratic influence over the state? Use some revenue to buy them off those citizens likely to cause trouble. Use more of it to support a powerful army and intelligence apparatus that will keep the others in line.

(ii) It is very tempting for outsiders, insiders, or some combination of the two, to try to take over the state by force: the rewards of obtaining access to an oil well are potentially very high. It is much easier to squeeze a quick fortune out of an oil well than out of a hundred thousand taxpayers. Politics in mineral states tends to coup-ism. The state responds by spending a great deal of money to protect against coups. Those in power are reluctant to cede any power to other groups, lest this become a foothold for a complete takeover of the state.

(iii) There is little incentive to establish an efficient public service. The task of raising revenue from the mineral facilities requires few specialists. Insofar as there are incentives to create an efficient public bureaucracy, these will be concentrated on the military and intelligence apparatuses. In the civil bureaucracy, jobs will be given mainly for patronage purposes, and for directly political reasons.

(iv) The failure to tax the bulk of the population - and thereby bring them into the ambit of a regular civilian bureaucracy - leaves the state vulnerable to the (armed) organisational challenge of competitors - guerrillas, private armies based on the narcotics and arms trades, and non-state movements of various kinds, including, in contemporary Sub-Saharan Africa, autonomous Christian and Islamic movements.

(v) Where public revenues come from a small number of concentrated sources, such as a few foreign oil companies or a public mining enterprise, it is relatively easy for revenue and expenditure to be hidden from view. If a legislature exists, it had limited capacity to exercise oversight over the state because it has very incomplete knowledge of - let alone control over - the myriad ways in which state and quasi-state agencies raise and spend money. The official 'budget' may represent a mere shadow of the true fiscal situation. Note how in Suharto's Indonesia the state oil company, Pertamina, was a fiscal and political state within a state.

Mick Moore

Development aid and mineral deposits are phenomena not normally categorised together. But from the fiscal perspective, they have a great deal in common. Aid is also a major source of government income in many poor countries. Once again, the figures are incomplete. My best estimate, for the early 1990s, is that aid accounted for almost half the income of the typical government of those (mainly African) countries that the World Bank classifies as least developed (Moore, 1998). The political consequences of government aid dependence are very similar to the effects of mineral dependence listed above, albeit less malign. The main single difference is probably that aid dependence does not create such strong temptations for military coups: unlike an oil well, foreign aid might well dry up in response to a successful coup. More generally, aid donors often try to inject a little accountability and effectiveness into the states they assist. But they have not always tried very hard, or been very aware of the malign political consequences of high levels of aid dependence on recipient government. In particular, aid donors have often been heavily complicit in national accounting practices that consistently undermine the scope for legislatures, the media or civil society organisations to exercise effective oversight over public budgeting. This process is of such practical importance to the aid community that it is worth summarising in some detail.

Aiding and Budgeting

One very important practical step towards increasing both the developmental effectiveness and the accountability of states in much of the poor world would be the (re)introduction of comprehensive, effective state budgetary systems, such that the government, its citizens, its critics and the state bureaucracy would be able accurately to discover how much it had spent on what in the previous year, and how much it was likely to spend in the coming year. The absence of effective central budgeting in part reflects the general political and institutional weakness of many poor states. However, it also reflects the ways in which the high aid inflows are actually controlled and disbursed.

'Aid' is an abstract concept. Development aid appears in many forms. Two features of (official) aid are of special interest to us. One is that it is now given largely in the form of grants or very concessional loans. Bilateral donors in particular mainly give grants. In consequence, the individual donor agencies tend to have a strong voice in how 'their' money is used. The second relevant feature of the aid system is the multiplicity of (official) aid donors who give support to, and maintain offices in, individual recipient countries. It is not unusual for recipient governments to have to deal with a dozen significant official aid donors.[73] These numerous aid donors each have their own agendas, priorities, targets and procedures. Contrary to some concerns about the dominance of the 'Washington consensus' among aid donors, donors collectively do not target their assistance closely toward countries that adopt 'Washington consensus' policies (Burnside and Dollar, 1997). Aid agencies remain individualistic, largely because they are ultimately responsible to legislatures back home that have little knowledge of, or concern with, the indirect impact of their aid programmes. To a large degree, aid agencies within individual recipient countries are competitors for the local resources that will help validate their activities: good projects to fund; the assistance of influential politicians and bureaucrats in expediting their programmes; and the secondment of the best local public servants to manage their projects (Wilson, 1993).

People with a conventional view of the potential 'dependency' problems of aid recipients tend to welcome the individualism and competitiveness of aid agencies as a safeguard against collective 'aid imperialism' on the part of donors. In fact, these patterns of donor behaviour directly perpetuate the weakness of the recipient states, and undermine the prospects for effective state accountability. For 'sovereignty', in the form of centralised information about, and control over, public expenditure has been lost. Such sovereignty would anyway tend to weaken in the face of a multiplicity of competitive aid donors funding a significant proportion of public expenditure on a grant basis. It has weakened even further in many Fourth World states because of the way in which government budgeting procedures have evolved in the face of growing aid dependence. Let us tell the typical story in summary terms, starting in the 1960s, a period of recent independence and relative economic prosperity for many poor countries.

In these early years, developing countries typically practised a dual budget system.[74] The local (i.e. recipient) government financed the recurrent budget from local revenues. It made a 'local contribution' to the capital (or investment) budget, that was funded largely by aid donors, with the recent colonial power typically playing a significant role. The capital budget was prepared within the framework of a national development plan. The 1970s and after were marked by economic and fiscal crisis, increased aid inflows and growth in the number of (official) aid donors. Major changes in budgeting

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[73] And with an equal number of small scale official donors and dozens of international non-government organisations with individual programmes in country that impinge of government in some way or another.

[74] I owe this paragraph almost entirely to Mike Stevens. See also Cohen (1991) and Wilson (1993). The issues are discussed briefly in the *1997 World Development Report*: 84-5 (World Bank, 1997).

practices resulted. With recipient governments unable to meet 'local contributions', aid projects became 100% donor-funded. They began to be omitted from the formal government budgeting process because they did not require public funds. As public sector salaries declined, donors increasingly, through a range of 'allowances', paid the salaries of the government staff formally seconded to their projects, or working in closely related activities. Donor influence over the deployment of local public servants followed inevitably. As local government recurrent expenditure was reduced further, donors began informally to assume wider financing responsibilities in sectors that appeared high priority to them, such as health.[75] Aid 'projects' began to fund a mix of investment, rehabilitation and recurrent activities. Local government funding was concentrated on urgent local priorities, that often included the military. On the one hand the donors, locked into situations where they cannot permit their projects openly to fail, appear to be behaving in a more intrusive fashion. On the other hand, their aid is to a large degree fungible: knowing that donors are committed to keeping health and education services on their feet, recipient governments can concentrate their limited funds on the military and other activities that they regard as priority. And the fact that the budgeting process no longer has much substance makes this easier. It has become increasingly difficult for anyone to know what money is being spent on what by government, or by aid donors in the name of government. There is little accountability of any kind.

These problems have long been discussed in development aid circles, although the implications for democracy and accountability appear not to have been much considered. The currently fashionable attempt to remedy the situation is the Sectoral Investment Programme (SIP), in which a number of donors agree to pool their funds to support sector-wide activities (e.g. in agriculture or health) in return for commitments from the recipient government about policy toward the sector in the medium term (World Bank, 1997 : 85). This is a step in the right direction, although ideally aid funds should be pooled at national rather than sectoral level. These are however tentative experiments, that have not yet had any significant impact on the fragmenting effects on national sovereignty of the competitive individualism of the aid donor community.

Conclusion

75 "For example, vehicles provided for the project became vehicles for the ministry; drugs for a particular programme get used all over the country, etc." (Mike Stevens, personal communication).

On the right wing of the US political spectrum, taxation is widely regarded as an intrinsic evil: the most concrete manifestation and cause of the 'oppression' of citizens by the state. Taxation is to be opposed at all costs. In most rich countries, taxation is regarded more neutrally: somewhere between a necessary evil and an inconvenient good. There is one respect in which the American right are on track: in their understanding that the taxation relationship can be more than a pragmatic means of solving particular resource allocation problems, but fundamental to the political constitution of states. They are correct about the intrinsic wickedness of taxation only if anarchy (i.e. locally-based spontaneous self-rule) is a realistic alternative to states. Those of us who believe in the urgent need to construct more effective and more accountable states in the poor world should take the opposite view. The sooner that fragile and failing states can be reconstructed around a healthy dependence of their governments for income on indigenous taxpayers, the sooner will those states become accountable and effective.

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Mick Moore