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**PUBLIC FINANCES IN
LATIN AMERICA IN THE 1980s**

**CUADERNOS
DE LA CEPAL**



UNITED NATIONS



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Notes and explanation of symbols

The following symbols have been used in the tables in this Survey:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (-) indicates that the amount is nil or negligible.

A blank space in a table means that the item in question is not applicable.

A minus sign (-) indicates a deficit or decrease, unless otherwise indicated.

A full stop (.) is used to indicate decimals.

A slash (/) indicates a crop year or fiscal year, e.g., 1969/1970.

Use of a hyphen (-) between years, e.g., 1960-1970, signifies an annual average for the calendar years involved, including the beginning and the end years.

References to "tons" mean metric tons, and to "dollars" United States dollars, unless otherwise stated.

Unless otherwise stated, references to annual growth rates of variation mean cumulative annual rates.

Figures and percentages in tables may not necessarily add up to the corresponding totals, because of rounding.

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PUBLIC FINANCES IN LATIN AMERICA IN THE 1980s

The crisis in the public finances of most Latin American and Caribbean countries was one of the main features of the economic plight of the region in the 1980s. It played a central role in the serious budgetary constraints on the public sector, which stemmed from high deficits –exacerbated by recessions and the debt burden– and the sharp drop in external financing. This situation led to the creation of various combinations of inflationary financing, suspension of debt servicing payments and fiscal adjustments in government economic policies during the decade. Structurally speaking, however, the financial crisis of the public sector revealed the weakness of financial structures in the face of external shocks and domestic pressures, and their growing inability to finance public policies designed to promote stability, growth and equity.

The 1980s witnessed a bleak economic performance by the countries of Latin America and the Caribbean: in 1990, per capita output had fallen to 1983 levels, which in turn were similar to those of 1977. The economic crisis, which was triggered by the interruption of external financing, led to recessions and, ultimately, to economic stagnation, sluggish investment, lower living standards, spiralling inflation and, in many countries, outright hyperinflation. On the other hand, by the end of the decade, the balance-of-payments problem remained unsolved, especially in the most highly indebted countries. In 1990, net resource transfers abroad still exceeded US\$16 billion, and the regional foreign debt reached US\$435 billion.

In this complex scenario of stagnation, inflation and external vulnerability, fiscal imbalances and overall public-sector behaviour in the countries of the region were noteworthy aspects of the difficult 1980s.

The relationship between economic performance and fiscal policy was a two-way street. On the one hand, public finances had a direct effect on the basic macroeconomic balance-of-payments deficits, on the domestic absorption of resources and on inflation. On the other hand, protracted macroeconomic instability and severe adjustments in response to external shocks had negative repercussions on public-sector economic and financial behaviour. As the adjustment process tightened, the financing of the public deficit grew more complex. Likewise, trends in the public sector and fiscal

deficits in Latin America reflect the interaction between an active financial policy and the decisions taken by fiscal authorities, with fiscal results that the authorities cannot control but which nevertheless affect public-sector management.

Budgetary policies have been a crucial factor, both in creating the foreign indebtedness that began in the late 1970s and in the obstacles posed by the subsequent adjustment process. In periods of abundant international liquidity, countries such as Mexico and Brazil financed their domestic overspending – spurred by increasing public expenditures – with loans from abroad. In other cases – Argentina being a prime example – government guarantees on loans contracted by various public-sector institutions (public enterprises and parastatal agencies), and even by the private sector itself, were enough to obtain funds, which were often not used for investment purposes, but rather for the financing of public-sector deficits and even of private consumption. In those cases, the currency thus obtained also helped to keep the real exchange rate down, for anti-inflationary purposes. Demand encouraged domestic economic activities, and the implementation of corrective fiscal-policy measures took too long. As these policies became more entrenched, both in scope and in duration, they began to have side-effects: in particular, a sharp increase in real interest rates, with the subsequent need to adjust the real exchange rate. In view of these effects and the expectations they created, the external resources that had at one time been obtained by the public sector ultimately financed a mass exodus of capital. This sort of shift, when it reached the private sector, had negative repercussions on both foreign and fiscal accounts. As capital flight became irreversible, the profitability of external assets did not help to ease the foreign currency squeeze; moreover, in the fiscal arena, these profits also failed to generate taxable revenues.

This climate of uncertainty and capital flight in which many Latin American economies found themselves also fostered the growth of a black market, further reducing the tax base. On the other hand, the subsequent incorporation of the private debt into public accounts, given the private sector's inability to repay it, became an inherited burden on government budgets which persists to this day. It should be stressed that in almost every highly indebted country in the region, the private sector has carried out rescue operations. The transfer mechanisms deployed to subsidize the debt have been either the public budget or various monetary instruments (rediscounts, exchange risk insurance) implemented by the central banks, which tended to strongly increase the treasuries' quasi-fiscal deficits.

As opposed to the previous illustration, some Latin American economies were in a relatively healthy financial position before the interruption of foreign financing brought about a turnaround in resource transfers. Chile exemplifies this situation. Here, public-sector borrowing had been used neither as the cornerstone of an investment programme nor

as a remedy to finance the balance of payments. At its inception, borrowing was linked to a drop in the terms of trade, although in this case the public sector's subsequent absorption of private debt also took on enormous proportions, becoming a heavy extra burden on the budget. Chile's public sector had recorded a healthy surplus during the pre-crisis years, which partly accounts for its subsequent trend, and also for its less traumatic adjustment process (*vis-à-vis* other countries), in which the strategic funding received from multilateral institutions was also instrumental.

Towards the end of the 1970s, Latin American economies found themselves in a more complex situation than in past periods: weak and more open financial systems, vulnerable exchange rate policies, decreasing terms of trade, etc. These factors weigh heavily not only in looking back on the foreign indebtedness situation with respect to the financial crisis, but also in order to understand the effects of foreign debt on public finances and consequently on domestic macroeconomic equilibrium, especially starting from the moment when the countries in the region became subject to foreign credit rationing programmes (1981-1982).

At the outset of the crisis, the recession pushed fiscal revenues down, and taxation measures had to be taken in order to counterbalance its effects. Likewise, public service rates generally lagged behind during inflation periods, thus aggravating the financial plight of public enterprises. Conversely, current expenditures tended to rise, partly due to interest payments on public debt. The financial burden of the foreign debt grew heavier early in the decade as a result of the increase in real exchange rates—one of the main tools used to adjust external accounts—as well as higher international interest rates. Afterwards, domestic debt costs grew significantly as a result of soaring interest rates. In the presence of snowballing fiscal deficits, resource allocations to the least essential sectors were cut, but at a very high social cost: public investment and social spending.

The financial crisis had been maturing for a long time because of the structural frailty of public institutions, owing to faltering revenues and fixed expenditures. Nevertheless, in the 1970s, it had been masked by the ample availability of foreign resources, which made possible the postponement of essential fiscal adjustments. When the situation turned around in the early 1980s, with the drying up of foreign credit inflows, particularly commercial bank loans, and also owing to other factors, such as the increase in international interest rates, high indebtedness in the countries of the region and the drop in export commodity prices, an economic crisis quickly ensued, the likes of which had not occurred since the Great Depression of the 1930s. Owing to the combined effects of these factors, the cash flow, which had been positive for the region during the 1970s, turned negative. The economic recession which occurred as a result of attempts to adjust external

accounts, exacerbated the crisis. It had negative repercussions on fiscal revenues, thus significantly expanding the public deficit.

On the other hand, the reversal in the flow of net resource transfers not only gave rise to drastic adjustments in external accounts, but, in most countries, it also meant an abrupt change in public sector financing; this sector, having received the largest percentage of those resources, became the main culprit for the net remittances due.

Since governments had to assume a sizeable amount of the private sector's foreign debt through various mechanisms, the foreign debt crisis had an additional negative impact on public accounts. The interruption of foreign credit flows was a hard blow for debtors and financial agents with high foreign currency liabilities, due to the sudden cessation of automatic loan rollovers. The debtors were unable to meet the payments by their due dates; thus, most of them defaulted on their loans. The problem was exacerbated by domestic recessions and by considerable increases in real exchange rates. In view of this widespread lack of creditworthiness, central banks in many countries had to come to the rescue by means of subsidies and debt reschedulings, so as to prevent the collapse of the financial system.

In the following pages, the series of maladjustments and adjustments undergone by public finances during the 1980s will be studied based on data that was gathered for the purpose of analysing fiscal policies, a task undertaken by the ECLAC/UNDP Regional Project on Fiscal Policies.¹

In order to cope with the severe financial crisis, Latin American countries had to implement many large-scale fiscal adjustment processes in the 1980s. The most far-reaching ones affected 14 of the 19 countries for which data are available. Many of those adjustments failed, while others achieved some success, albeit quite small; thus, they were unable to return to the situation, as it had been in the late 1970s. For the most part, the crisis can be explained by each country's particular circumstances, but there are many features common to them all, among which are the following: high fiscal deficits; constraints on taxation policies; lags in rates and the lack of funding for public enterprises; new commitments that had to be taken up by the States; the turnaround in net foreign resource transfers; obstacles to financing the fiscal deficit; and finally, the profound deterioration of the civil service, which in some cases has practically meant the collapse of the State.

1. Trends in public spending

a) *Aggregate spending*

Public spending dropped considerably, in real terms, in most countries in the region throughout the 1980s, as a result of the adjustment processes undertaken since the outbreak of the debt crisis. For the region as a whole,

aggregate fiscal spending² dropped by 8% between 1982 and 1984. It then experienced a recovery, exceeding in 1986 and 1987 the level recorded for 1982. From 1988 onwards, a new slowdown took place, as a result of which the aggregate regional spending for 1989 barely exceeded the figures for 1982. Although in a somewhat irregular fashion, some countries gradually reduced their level of actual public spending throughout the decade. Outstanding among them is Peru, whose 1989 spending was only 36% of that recorded for 1982. Public spending also decreased greatly in Venezuela (-32%, between 1982 and 1989), Argentina (-23%, between 1981 and 1989), Bolivia (-20%, between 1980 and 1987) and Ecuador (-26%, between 1986 –when it had recovered its 1981 level– and 1989) (see table 1 and figure 1).

After the initial adjustment, some countries began regaining their previous public spending levels. Such is the case of Costa Rica, which, after reducing its spending by 25% in the 1981-1982 period, began to recover it progressively, until in 1989 it attained a figure 5% higher than in 1980. A similar trend can be seen in Uruguay, where, after aggregate spending dropped by almost 30% between 1982 and 1985, by 1988 it reached levels only 11% lower than those for 1982 (and, in any case, higher than those for 1980). Likewise, in Guatemala, after real levels of public spending fell in 1985 to almost half of what they had been in 1981, it recovered until, in 1989, it was only 13% lower than in that year, and almost equal to the 1980 level (see table 1). Also Mexico, which had expanded its aggregate public spending by almost 50% between 1980 and 1982, suffered a 14% drop in 1983, which persisted during the 1984-1985 period, recovering the previous level of real spending between 1985 and 1987. In this case, however, a new adjustment of public spending was put into effect (-17%) in the 1988-1989 period, even though the process accrued an increase of 23% in real spending levels in relation to 1980.

Chile entered the crisis decade after already having experienced significant growth, and in the aftermath of a drastic adjustment in public spending. In the 1971-1973 period, the actual level of aggregate spending had increased by more than 70% in relation to the average recorded for the previous five-year period. The adjustment implemented in 1975-1976 reduced spending by more than 30% of that maximum, bringing it down to its lowest level in the decade. Afterwards, there was a gradual expansion that reached its peak in 1982, with a real level almost 37% higher than the 1975-1976 average. This expansion was briefly interrupted by the crisis, resuming its upward trend in 1984. It peaked in 1989, with a public spending level 16% higher than in 1982, practically the same as in the early 1970s, although naturally lower in per capita terms.

A number of countries, however, tended to follow an expansion-oriented policy for public spending during the decade. Colombia increased such spending steadily; in 1989, it reached a real level that was

Figure 1
**LATIN AMERICA: TRENDS IN PUBLIC-SECTOR INCOME
 AND EXPENDITURE IN SELECTED COUNTRIES ^a**

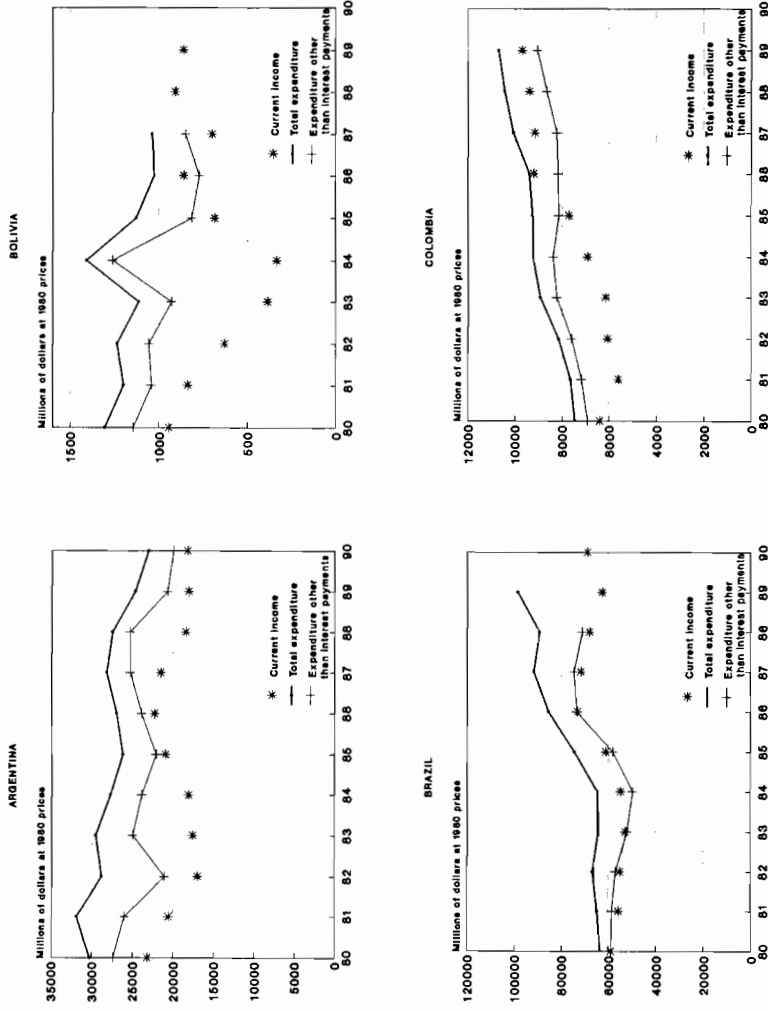


Figure 1 (continued)

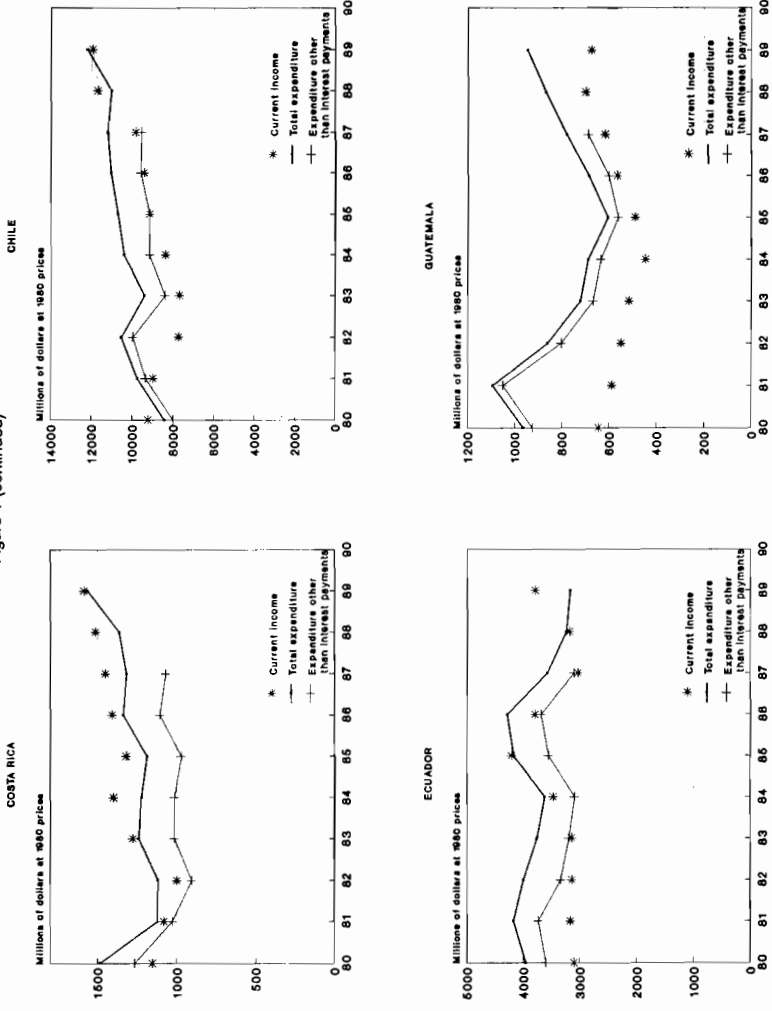
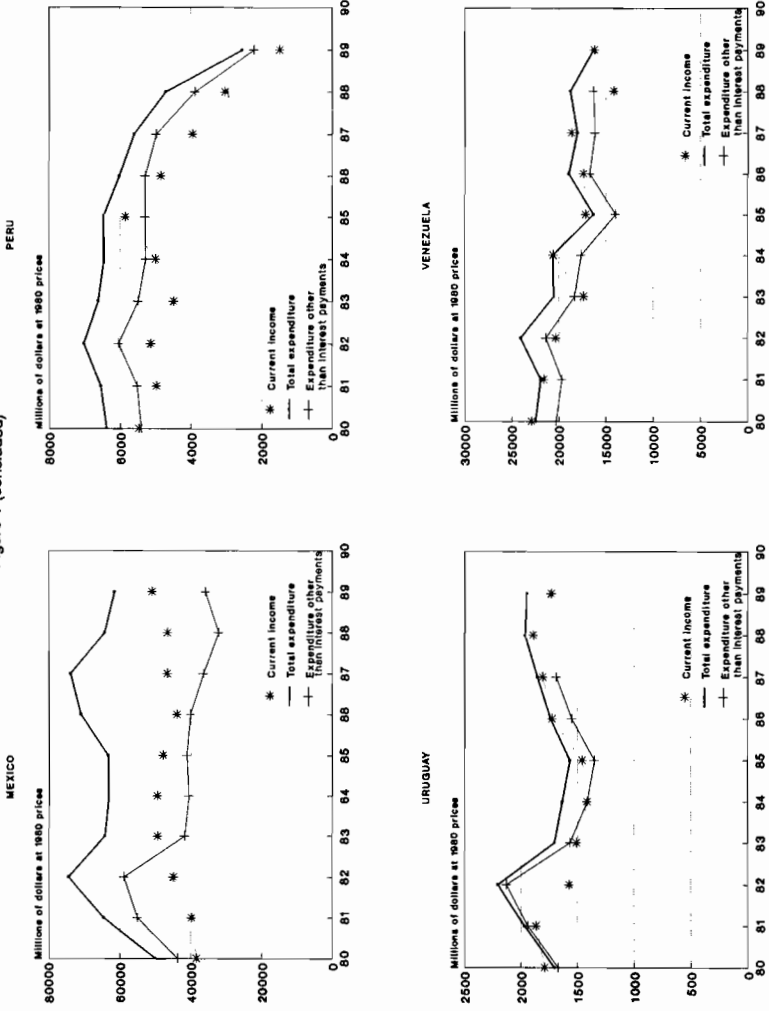


Figure 1 (concluded)



Source: ECLAC, on the basis of figures provided by official sources and by the ECLAC/IDB Regional Project on Fiscal Policies.
 a The definitions used for this table are as follows: Total current income of the non-financial public sector equals the sum of the general government's current income and the current savings of public enterprises; total expenditure is the sum of the general government's current expenditure plus the non-financial sector's capital expenditure, which includes investment by both the general government and public enterprises.

43% higher than in 1980. Brazil, with only brief interruptions during the 1983-1984 period and in 1988, spent 54% more in 1989 than in 1980. Paraguay, in 1984, reached a 47% higher level of spending than in 1980; after carrying out an adjustment during the 1985-1986 period, aggregate spending began to recover in 1987, although it fell short of attaining the previous peak (see figure 1).

b) *The effects of the debt burden on government budgets*

The level of foreign indebtedness of the Latin American governments at the outbreak of the foreign financial crisis, coupled with the increase in international interest rates and exacerbated in some cases by the governments' assumption of private foreign debts, substantially increased the proportion of public spending being deployed to make interest payments on the foreign debt at the beginning of the decade. Afterwards, the moratoria on debt servicing declared by Argentina, Bolivia, Costa Rica, Peru, and –later on– Brazil and Ecuador, somewhat decreased that proportion in these countries. However, the public debt's financial burden loomed ever larger in the budgets of those countries that continued to meet their external obligations.

The financial burden of the consolidated public sector is made up of two large components: the interest on debt contracted by the non-financial public sector, and the interest paid by the financial public sector. The former are recorded with the rest of the public sector's traditional accounts. The latter, however, arise in different situations and they are registered in various ways. One portion corresponds to interest paid on deposits attracted by the usual activities of public financial institutions, which is why they should not be considered as a financial burden on the public sector. Another part stems from the financing of public activities, as in the case where the Central Bank assumes the responsibility of paying the foreign interest of the non-financial public sector or the costs of monetary take-over operations (interest-bearing cash reserves and bonds, for example), in order to offset the marked expansion of the monetary base.

The servicing cost of the public debt –both domestic and foreign– of the non-financial public sector increased substantially, especially during the first years of the decade. Thus, in Argentina, interest-related expenses rose from almost 3% of gross domestic product (GDP) at the end of the previous decade to more than 10% in 1982; in Costa Rica, from 5% to almost 7% in 1983; in Ecuador, from less than 3% to 5.5% of GDP in 1982; in Peru, from 4.5% to more than 6% in 1983; in Uruguay, from less than 1% to 4% of GDP in 1984. In Brazil, real interest payments³ grew from 2% of GDP in 1980 to more than 4% in 1982, and to more than 6% in 1984; in Mexico, from 3.5% to more than 12% of the product in 1983, and to almost 20% in 1987. In Chile, they increased from 1.4% of GDP in 1980 to more than 3% in 1985,

while in Colombia they increased from approximately 1% at the end of the previous decade to more than 4% in 1987. In countries like Guatemala and Paraguay, where interest accounted for approximately 0.5% of GDP in 1980, it increased to 1.5% in 1987. Only Venezuela has stabilized (at around 4% of GDP) the net interest burden on the public sector (see table 2).

The interest paid by the central banks, which in some countries reached extremely high levels in certain years of the decade, comprise another part of the financial burden. Thus, for example, in Chile, interest payments amounted to 5% of GDP in 1985, but decreased later on; in Mexico, they amounted to approximately 5% of GDP in 1986 and 1987; and in Uruguay they amounted to 3% of GDP in the 1983-1989 period. These payments by the central banks were, in some cases, offshoots from the transfer of private foreign debt to the public financial system, although in other cases they were due to the increased indebtedness of the banking authority, as a result of new loans.

The large amounts of interest payments on public debt ultimately represented a heavy load on most countries' fiscal resources, becoming even more burdensome during the crisis phases when they actually shrank in real terms. In some countries, the financial burden has used up such a large proportion of current resources that it has either cast doubt on the management of essential, current, and investment-type fiscal activities or has forced the implementation of inflationary financing schemes or various types of default on public debt repayment.

Thus, in Argentina, 46% of current revenues of the public sector were committed to interest payments in 1982, decreasing after the moratorium on the foreign debt was declared in 1983; accordingly, during the 1986-1987 period they amounted to almost 13% of revenues. Likewise, in Bolivia, the interest on public debt amounted to 45% of current revenues in 1985, subsequently dropping to 30% as a result of the moratorium on the repayment of the foreign debt (see table 4). In Mexico, the State kept up its foreign debt servicing throughout the decade, increasingly having to resort to domestic borrowing; as inflation accelerated, nominal interest payments on the domestic debt soared. Thus, the total financial burden ultimately absorbed 80% of the public sector's current revenues during 1987, declining only after prices gradually stabilized. A similar phenomenon took place in Brazil, though in this case the data in table 3 only record the "real" component of public debt interest (thus excluding the indexation component that is part of nominal interest) which, however, used up approximately one fourth of current revenues during the 1984-1985 period, and again in 1988. In Peru, accrued interest—which already represented 21% of public sector revenues before the crisis—increased to 27% in 1988, although the actual burden was still approximately one half of the amount due, on account of the suspension of foreign debt payments as from 1984. In both Chile and Ecuador, interests have amounted to between 15% and 20% of current

revenues throughout the decade of the crisis. In Venezuela, net interest payments on public debt have fluctuated between 9% and 17% of revenues. In Costa Rica, the interest burden has risen from 18% to 21% of public revenues, while it rose from 6% to 15% in Guatemala; meanwhile, in Uruguay it grew from less than 2% in the 1980-1981 period to more than 15% in 1984, later dropping to 9%. Also, in Colombia, the public financial burden rose from 8% at the beginning of the decade to 20% in 1987. In Paraguay, however, it was not until 1987 that it exceeded 10% of the public sector's current revenues (see table 4).

i) *Interest on public foreign debt.* Interest on public foreign debt had a particularly strong influence on the sharp increase in interest-related spending. At the end of the 1970s, the amount of interest corresponding to the total public foreign debt—both of the non-financial public sector and of the financial sector—, in 11 countries of the region,⁴ was equal to US\$6 billion per annum, or 1.2% of GDP, which had already meant a substantial increase with respect to the levels recorded at the beginning of that decade. The rise in these expenditures grew sharper from 1980 onwards, amounting to US\$21.6 billion in 1983 (3.2% of GDP). The amount of these payments subsequently dropped, owing mainly to the fact that many countries fell into arrears; thus, in 1989, US\$17 billion in interest were paid (2.1% of GDP). On the other hand, the amount of accumulated interest continued to increase slightly, reaching an average of US\$24.5 billion during the 1988-1989 period; nevertheless, it represents a drop, in relation to GDP, from 3.4% in 1987 to 2.9% in 1989. This decrease was due to the fall in interest rates and to the virtual stabilization of the amount of the region's foreign debt in recent years (see table 5).

Costa Rica was the country where the accumulated interest on public foreign debt increased the most with respect to GDP: from less than 2% in the 1977-1979 period to 11% in 1982. From 1984 onwards, these amounts started to decrease, owing to the drop in interest rates on the international market. This downward trend grew sharper during 1988 and 1989, as a consequence of the debt reduction programme agreed to with the banks within the context of the Brady Plan. In addition, starting in 1986, the actual burden decreased more rapidly than the amount due, as a consequence of the suspension of foreign debt payments (see table 5).

More modest increases took place in other countries of the region, with a slow decline in recent years. Thus, in Mexico, interest rates on the foreign debt rose from almost 2% in 1980 to 4.8% in 1983 as a proportion of GDP, remaining approximately at this level until 1987, and dropping by more than one percentage point in 1988. In Brazil, they rose from 1% to 2.7% of GDP between the end of the 1970s and 1987, then decreasing to less than 2% in 1989. In Chile, the ratio between interest payments on public foreign debt and GDP increased from almost 2% in 1980 to 7.4% in 1987, and then it progressively fell to 3.6% in 1989. Similar trends were observed in Bolivia,

Peru, and Uruguay; in the first two countries, the reduction of the real burden was considerably greater (down to 2% and 0.2% of GDP, respectively), owing to their respective moratoriums.

Throughout the 1980s, Argentina, Ecuador and Venezuela recorded increases, albeit irregular, in the aforementioned ratio; thus, in 1989, the interest payments accumulated by these countries on their public foreign debt ranged from 5% (Argentina and Venezuela) to 8% (Ecuador) of GDP. Nevertheless, Argentina's suspension of payments reduced its financial burden to 1.5% of GDP in 1989, while Ecuador, from 1987 onwards, kept the ratio down to less than 4% of the product. In Colombia, interest payments on public foreign debt rose slowly; starting in 1985, however, that increase accelerated, reaching 3% of GDP in 1989 (see table 5).

The fiscal effort entailed in repaying the public foreign debt was even more arduous for those States that were forced to assume a sizeable amount of the private foreign debt that had originally been contracted without government guarantees. The additional fiscal effort of actually taking responsibility for private debt depended on various factors, such as the financial standing of the banks and private enterprises whose debt was assumed, the domestic commitments of the private sector whose debt was converted and the degree of preferential exchange-rate subsidizing that was granted for the repayment operations. In the worst-case scenario (where the public sector assumes the private debt with no counterpart private resources whatsoever), it could have meant an additional fiscal effort of 40% in Argentina, Chile and Venezuela, and of approximately 20% in Ecuador, Mexico and Uruguay.⁵

ii) *Interest payments on public domestic debt.* In many cases, domestic borrowing by the public sector led to difficulties in balancing public accounts, a situation which was aggravated by the burden of the public foreign debt in a setting of rationed foreign capital inflows.

In countries with relatively advanced financial markets –such as Argentina, Brazil, Chile and Mexico– it was possible to fund public deficits through domestic borrowing (at least in an initial phase), especially if initial levels of domestic debt were low.

Nevertheless, the funding of sizeable portions of the public deficit through domestic borrowing is a process that can only go so far. As the domestic debt mounts, interest rates tend to rise; these, in turn, are usually pushed further upward by higher international interest rates and by the need to prevent or curb capital flight. All this tends to increase the burden of servicing the debt. Moreover, the need to attract additional net resources in order to fund either the primary deficit or the servicing of the foreign debt makes it necessary to accelerate the domestic debt's growth rate. This accounts for the increasing difficulty of selling public securities in most countries, except at very high real interest rates, which tend to push the

deficit upwards, as has happened in Mexico, or with very short maturities, as in Argentina and especially in Brazil.

On the other hand, almost every country –but particularly those without a sufficiently developed financial market– has, by various means, forced the financial system to lend funds to the public sector. However, depending on the specific method used, the financial burden of the non-financial public sector or of the Central Bank increases. Thus, the sale of treasury, public-enterprise or government bonds has an impact on the financial burden of the non-financial public sector, as shown in table 2. Conversely, the banking authority has to deal with the interest payments on its own bonds that it has placed in the banking system –although for the purpose of funding loans to the national treasury–, and also with the cost of paying for reserve requirements or other operations aimed at preventing any undesired expansion of the monetary base; these financial burdens are part of the quasi-fiscal deficit borne by the Central Bank. Lastly, in some instances (such as in Uruguay, for example, and more recently in Argentina) the raising of capital to finance the public sector was carried out through foreign-currency securities, and the interests owed on them were recorded as foreign.⁶

The nominal interest on public domestic debt is usually distorted by high rates of inflation, a situation which makes it difficult to interpret the economic significance of the fiscal deficit.⁷ When the real value of financial assets drops as a result of the increase in domestic prices, the economic agents seek a higher price for those assets, in order to compensate for depreciation. This has led to a systematic increase in nominal interest rates in local currency during the upsurges of inflation that have taken place in some countries of the region. Under these circumstances, the interest paid by the government for its operations on the domestic financial market cover two components: one is the earnings on capital –real interest– and the other represents the updating of the actual value of debt principal, which is eroded by inflation.⁸ In these cases, therefore, the public sector has had to make ever-increasing interest payments on the funding obtained through operations in local currency; however, a large proportion of these higher expenses have in fact been retirements of outstanding debt principal, in an amount equal to the inflation-caused depreciation of the domestic debt. Indexation mechanisms were adopted in some countries, through which the principal of the debt is periodically adjusted to reflect domestic price fluctuations; hence, the interest paid is only “real” interest. In these cases, the amount resulting from the readjustment is added to the capital, thus increasing the outstanding nominal debt.

In Mexico, interest payments in domestic currency rose substantially throughout the 1980s, amounting to 15% of GDP in 1987 as a result of sharp increases in nominal interest rates. Nevertheless, if the inflation element is not taken into consideration, the amount paid in interest was obviously

lower and, in some years, even negative in real terms. Nominal interest rates kept pace with price fluctuations, although in 1987 they lagged behind due to the strong upsurge of inflation, which amounted to 150% during that year. From 1988 onwards, interest rates linked to the public domestic debt started to decrease as inflation slackened; thus, the financial burden of the public sector was noticeably alleviated.

In Brazil, the public sector has achieved a substantial portion of its funding through the sale of indexed securities on the domestic financial market, although it has also used non-indexed securities with nominal interest rates that implicitly incorporated the indexation effect. The elimination of the indexing mechanisms was attempted on a number of occasions, but it soon became necessary to readopt them because of the problems they posed in terms of public financing. The financial burden of the public domestic debt (including indexation costs) rapidly swelled as the decade evolved, owing to spiralling inflation, and ultimately amounted to almost 80% of GDP in 1989. If the inflationary effect on the domestic debt is not taken into account, interest-related expenditures were remarkably lower; however, short-term commitments were numerous and thus generated considerable uncertainty in the country, practically sending it on a hyperinflationary course in early 1990. Accordingly, the government declared an 18-month freeze on most financial assets in March, hoping to prevent new increases in interest rates and the collapse of public funding. What really happened was that most of the deposits in the banking system were assigned to cover the public-sector's huge deficits. Although the frozen funds were still being corrected for inflation, they lost real value when the freeze was declared. Likewise, from 1990 onwards, nominal interests fell as a result of lower inflation; moreover, in 1990, the fiscal deficit was drastically reduced owing to a drop in real interests.

In Argentina, interest payments on the public domestic debt amounted to almost 6% of GDP in 1982, but then fell sharply because the interest rates on the public debt were not indexed to inflation; hence, the level of domestic indebtedness also shrank. In the following years, the Central Bank acted as a conduit for domestic financing; thus, the impact of the latter was not reflected in the interest payments from fiscal accounts. However, its macroeconomic effect was quite strong because minimum reserve requirements were instituted so as to absorb the excess money supply that was generated by the financing of the public sector. These deposits were attracted at high real interest rates, with seven-day maturities, which led to an explosive situation. This made it imperative to take drastic steps to transform these securities issued by the Central Bank into long-term, foreign debt bonds with interest rates similar to those on the international market.

The interest on Chile's public domestic debt rose substantially, starting in 1983, as a result of its financial crisis. The interest paid by the non-financial public sector, which in the 1980-1982 period accounted for

0.2% of GDP, rose to 3% in 1985. Likewise, interest payments by the Central Bank in local currency, which had been practically non-existent at the beginning of the decade, became quite high from 1985 onwards; thus, halfway through the decade, local-currency interest expenditures by the public sector as a whole rose to almost 5% of GDP. This trend in interest payments illustrated the strong expansion of the public domestic debt, which rose from less than US\$2 billion in the 1981-1982 period to more than US\$8 billion in 1986-1987.

In Costa Rica, interest payments in local currency have been relatively significant. At the beginning of the decade, they amounted to 3% of GDP, but they then increased to 6% during the 1985-1987 period. In Colombia, interest payments on the public domestic debt have been of minimal importance: between 1978 and 1984 they amounted to 0.6% of GDP; later on, they increased, but only to slightly more than 1%. In Venezuela, during the first years of the decade, the interest paid in local currency by the non-financial public sector amounted to slightly less than 2%, decreasing in the following years to less than 1%. In Uruguay, the interest paid in local currency by the non-financial public sector has been practically nil because all financing is carried out in foreign currency, even through the sale of securities among residents. The Central Bank, however, has paid significant amounts of interest in local currency, but that is accounted for by high nominal interest rates, which reveal the accelerated pace of inflation of recent years.

c) *Trends in basic expenditures*

The growing interest burden within a context of external and domestic financial restrictions for the public sector had more of a dampening effect on basic expenditures –recurrent and capital– than on aggregate expenditures, or, in other words, it tended to slow the growth of the former compared to the latter. That downward pressure on basic expenditures was temporarily eased by moratoriums on foreign debt interest payments, in those countries and time periods in which such moratoriums were declared. Nevertheless, interest payments were very seldom reduced by these means;⁹ generally speaking, the financial constraints that had forced the public sector to default on its foreign debt payments were so severe that it also had no alternative but to reduce its basic expenditures. In Argentina, Bolivia, Costa Rica, Ecuador and Peru –countries that at one time or another during this decade defaulted on their foreign debt payments– basic expenditures ultimately tended to sink lower than aggregate expenditures did. Likewise, in Brazil, basic expenditures fell –in real terms– by 16% between 1980 and 1984; they subsequently rose again, but to a much lesser degree than aggregate expenditures (see table 6 and figure 1).

In those countries that avoided defaulting on their interest payments, basic expenditures were clearly crowded out by those payments. Both in Chile and in Uruguay, basic expenditures recovered at a slower pace than aggregate public expenditures. In Colombia, their growth rate was slower than that of aggregate expenditures, being 30% higher in 1989 than in 1980. In Guatemala and in Venezuela, they dropped by a greater proportion than aggregate public expenditures. In Mexico, the remarkable increase in public debt interest payments (fueled, during the 1986-1987 period, by the unprecedented buildup of domestic debt) forced basic expenditures downwards; in 1989, they were 18% lower—in real terms—than in 1980, contrasting with the already mentioned increase in aggregate expenditures during that period (see table 6 and figure 1).

i) *Public consumption expenditures.* In the face of financial constraints, the proportion of public spending allocated for consumption expenditure—salaries, wages and current purchases relating to the management and delivery of governmental services—showed a higher relative elasticity. Against a background trend towards a reduction of the real level of public spending, and after a widespread drop during the first years of the crisis, the structural inertia of consumption expenditures led to the total or partial recovery (depending on the case) of their relative weight in aggregate expenditure. Only in some countries (such as Costa Rica and Uruguay) did new adjustments—towards the end of the decade—once again reduce the ratio of consumption spending to aggregate public expenditures. Conversely, in Chile, Mexico and Venezuela, the trend towards the reduction of consumption spending triggered by the crisis remained unchanged throughout the decade (see table 2).

Aggregate public consumption expenditure fell substantially in 13 Latin American countries between 1981 and 1984, in real terms.¹⁰ They later experienced a recovery, however, ultimately reaching, in 1989, a level 12% higher than that recorded for 1981 (see table 7). Nevertheless, this trend in aggregate regional consumption expenditure has been strongly influenced by Brazil's outlays, which behaved differently from those in the rest of the region. If Brazil is excluded from the calculation, consumption expenditures show a downward trend throughout the decade, albeit with considerable fluctuation. These trends were due to the decline both in civil servant remunerations and in the purchase of goods and services.

The most dramatic drop in public consumption expenditures took place in Peru, where it contracted sharply from 1984 onwards; it experienced only a partial recovery during the 1986-1987 period and plummeted in 1988, owing to the severe macroeconomic imbalance; as a result, by the end of the decade the real level of expenditures was one third of that recorded for 1980, and one fourth of the peak attained in 1982. The decline in the public sector's real wages by more than half during the crisis years also accounted for this collapse of expenditures. A considerable contraction also took place

in Chile, where by 1983 consumption expenditures in real terms had fallen by 25% with respect to the average level of the 1977-1980 period; it was only during the 1988-1990 period that an 8% recovery occurred. Venezuela also experienced a sizeable drop (47%) between 1982 and 1985; after a modest recovery, the new adjustment in 1989-1990 brought down the actual level of consumption expenditures to less than half that prevailing before the crisis (see table 7).

In Ecuador, consumption spending decreased throughout the decade, albeit unevenly, so that in 1990 they were 20% lower than in 1980. In Guatemala, the downward trend was somewhat steeper; thus, in 1990, expenditures were only 70% of those recorded for 1980. Uruguay underwent a deep slump between 1982 and 1985, a slight recovery during the 1986-1988 period, and a new downturn at the end of the decade; thus, in 1990, consumption expenditures were 20% lower than in 1980. In Mexico, consumption expenditures soared in 1981, then fell during the following two years (-20% in 1983). They recovered their 1980 levels in 1984-1985, subsequently dropping by 14% in 1988; finally, in 1990, they recovered their 1980 level, in real terms, amounting to only 87% of that recorded for the 1981-1982 period. In Bolivia, government consumption expenditures shrank by almost 40% between 1980 and 1983; they partially recovered, with ups and downs, during the following years until, in 1990, they reached a level 6% below the one recorded a decade before. In Costa Rica, the initial adjustment also brought down the real level of expenditures in 1982 to a level 30% lower than that recorded for 1980; the subsequent steady recovery peaked in 1990 at a level similar to that of 1980. In Argentina, consumption expenditures nosedived in 1981 and 1982 (-27% in all), but they recovered most of this loss in 1983; until 1988, levels were, on average, similar to those recorded during the 1980-1981 period; they later fell (-16%) as a result of hyperinflation and of adjustment measures taken to deal with the crisis (see table 7).

Brazil, Colombia and Paraguay, on the other hand, substantially expanded their public consumption expenditures, although with widely differing paths. In Brazil, they remained relatively stable between 1980 and 1982, declining somewhat during 1983 and 1984; however, after the change of government, consumption expenditures shot up from 1985 onwards. Thus, even after the 1990 adjustment, they were nearly 50% higher than at the beginning of the decade. On the other hand, in Colombia, consumption spending increased steadily between 1978 and 1983; it fell slightly during the following two years, owing to the adjustment measures taken at that time, and lastly it resumed its upward trend until, in 1989, it almost doubled the figures recorded for 1978. Paraguay witnessed a vigorous expansion in its consumption expenditures; after a considerable slump, between 1984 and 1988, they experienced a recovery at the end of the decade, surpassing the 1980 levels by more than 30% (see table 7).

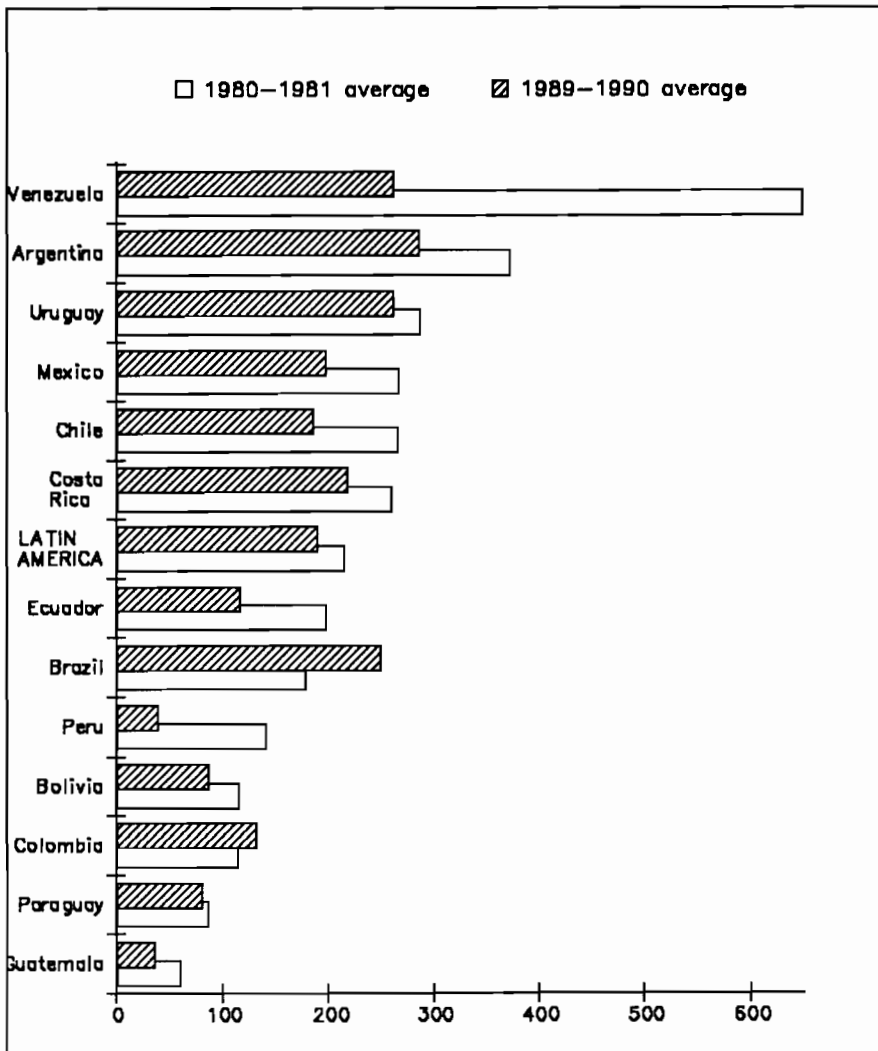
Beyond the specific behaviours of the real levels of aggregate public consumption expenditure in each country throughout the crisis decade, there was a widespread drop (with a couple of exceptions) in per capita public consumption expenditure. The countries that had recorded the highest per capita expenditure levels at the beginning of the decade (Venezuela, Argentina, Uruguay, Mexico, Chile and Costa Rica) found them drastically diminished at its close. But countries that had recorded substantially lower per capita expenditure levels before the crisis, such as Bolivia, Peru and Guatemala, also saw them severely reduced by the end of the decade; in the last two cases, they plummeted to ridiculously low levels. Only Brazil and Colombia managed to end the decade with higher real public consumption expenditures, on average, than those of the 1980-1981 period (see figure 2).

The drop in consumption expenditure had a negative effect on the coverage, regularity and quality of social services, especially in those countries where they were extensively provided by the State and had a firm, decades-long tradition. The quality of those services was markedly affected by the lack of resources, both in administrative areas as well as in education, health and social welfare. This deterioration aggravated distributive effects of the adjustment process which the countries in the region have had to cope with in the past decade, since for a large segment of the population the loss in real income was exacerbated by the reduced coverage and lower quality of essential public services. The higher-income segments of the population sought protection in private services that had previously been the State's exclusive domain; meanwhile, worsening quality notwithstanding, the hard-hit middle class defended its share of access to available public services. Under these circumstances, it became increasingly difficult for public policy to provide assistance to the most destitute and poverty-stricken sectors which, in turn, were expanding considerably as a result of the severe crisis.

ii) *Transfers to the private sector.* Generally speaking, government transfers to the private sector include subsidies, social security benefits, and other transfer payments, covering widely varying expenditure flows in every country. Thus, these outlays have developed in a particular way in each of them throughout the decade, depending on the role they played in the fiscal adjustment process. On the other hand, the relevance of these expenditures differs widely from one country to another. Thus, Chile had the highest level of transfers, in GDP terms (amounting to almost 14% during the 1980-1981 period), given the considerable amount of social security spending and of subsidies for private education. Uruguay also recorded a high proportion (more than 10%) at the beginning of the decade, as a result of the substantial outlays for its social security system. Argentina also had high transfer levels (approximately 10% of GDP), although its social security expenditures are slightly lower than in the above-mentioned cases. In Brazil, transfers to the private sector amounted to almost 8% of GDP at the

Figure 2

LATIN AMERICA: GENERAL GOVERNMENT
CONSUMPTION IN PER CAPITA TERMS ^a
(1980 dollars)



Source: ECLAC, on the basis of official figures.

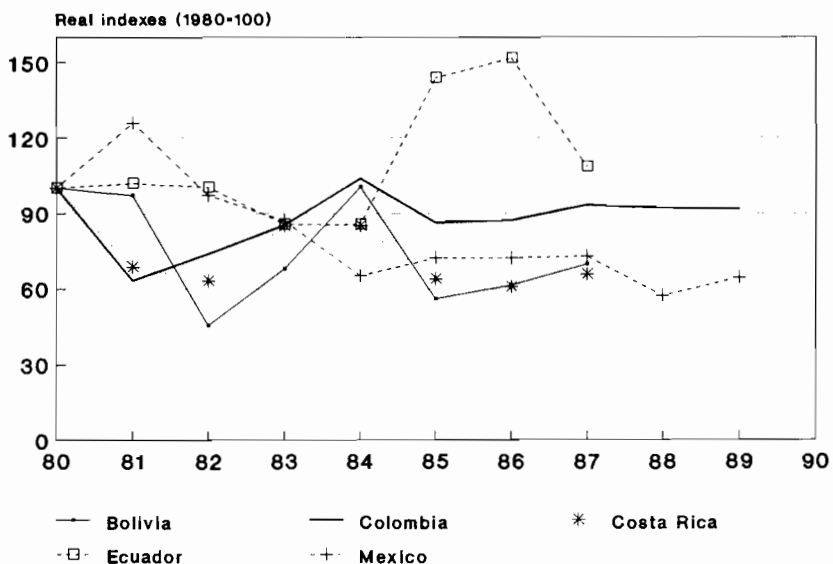
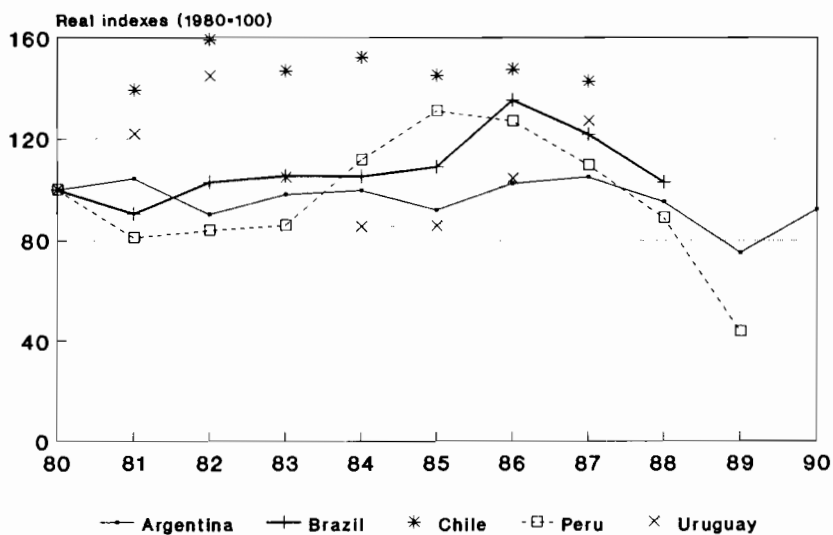
^a Countries are ranked according to the 1980-1981 figures.

beginning of the decade, two thirds of which correspond to social security outlays. Peru, in turn, recorded heavy transfer payments in the first half of the decade (almost 7% of GDP during the 1980-1981 period, and 10% in 1985), which consisted mainly of food subsidies; nevertheless, social security expenditures were low. In the other countries of the region, transfer-related expenditures were markedly lower during the 1980-1981 period: slightly more than 4% of GDP in Colombia, 3.5% in Costa Rica, 2.5% in Bolivia, and between 1% and 2% of GDP in Guatemala, Mexico, Paraguay and Venezuela (see table 2).

In the aftermath of the crisis decade, the real value of transfers to the private sector has increased in some countries. In Chile, social security spending grew noticeably from 1982 onwards, amounting to 50% of aggregate fiscal expenditure. This was mainly as a result of the sweeping reform of the social security system, through which the State assumed the old system's commitments; meanwhile, the new system became independent from the State. The other transfers to the private sector were also important, owing to the substantial growth of subsidies for private education as a proportion of GDP until 1982, even though they later fell. To sum up, in 1987 the Chilean Government had increased the value of its transfers to the private sector by 20%, amounting to more than 14 percentage points of GDP. In Uruguay, a legislative reform enacted at the end of the previous decade brought about a sharp increase in social security expenditures between 1980 and 1982. As a result of the adjustment measures that were taken afterwards, these expenditures fell in 1983-1985; however, starting in 1986, they rose once again as a result of political changes the previous year. Thus, transfers amounted to more than 40% of aggregate expenditure and 12% of GDP, exceeding the real average for the 1980-1982 period. In Colombia, transfers, representing one fourth of aggregate spending, became less significant as the latter increased, but the average of transfers in 1987-1989 was 13% higher—in real terms—than for 1980-1981. Likewise, in Brazil, the share of transfers in the growing amount of expenditure decreased systematically and dropped by one percentage point as a proportion of GDP. Nevertheless, the real level of transfers to the private sector was somewhat higher than at the beginning of the decade, although, within this aggregate, social security benefits decreased (see tables 2 and 3).

One group of countries, where transfers represented a small proportion of public expenditures and of GDP before the crisis, was able to increase the percentage of resources allocated to them. Guatemala, Paraguay and Venezuela managed to augment the amount of transfers to the private sector substantially, thereby considerably increasing their real value. Ecuador, in turn, during the second adjustment of its fiscal expenditures in this decade, was able to maintain its level of transfers somewhat above that of the 1980-1981 period (see figure 3.)

Figure 3
LATIN AMERICA: SOCIAL BENEFITS AND
TRANSFERS IN SELECTED COUNTRIES



Source: ECLAC, on the basis of official figures.

Other States, however, were forced to reduce the percentage of resources transferred to the private sector—social security and other types—and especially to reduce them in real terms. In Argentina, only in 1987, after the 1982-1985 adjustments, did transfers regain their average real level for 1980-1981; the subsequent hyperinflationary periods, and the adjustments which they triggered, pushed the real level of these expenditures down to 14% below that average, even though they still amounted to more than 9% of GDP. In Bolivia, where repeated adjustments brought the real level of transfers down to 30% of the pre-crisis average. Likewise, in Costa Rica in 1987, after two adjustment periods—with an intermediate period of partial recovery—, transfers to the private sector represented a substantially reduced share of public expenditures, shrinking to 2.5% of GDP, with a real level 22% lower than in 1980-1981.

In Peru, the relative weight of transfers increased halfway through the decade as a result of expanded food subsidies, while social security spending continued to represent relatively smaller proportion. Transfers subsequently plummeted, owing to the public financing crisis and to the rapid acceleration of inflation; thus, they fell to much lower levels than those recorded for the previous decade.

Transfer outlays also decreased in Mexico, from 8.3% in 1981 to 5.1% in 1988. These reductions were mainly due to subsidies for the private sector because, for the most part, social security expenditures remained consistently low.

The reduction in transfer expenditures tended to aggravate the constraints on social security, which is a very serious problem in almost every Latin American country. The wide-ranging coverage of social security, backed by State policies since the 1950s, has dramatically regressed in recent years, with dire consequences for large segments of the population. The adjustment has tended to have a severe impact on the real value of pensions, since very few countries put away the savings generated by the social insurance system during its expansion. Legislation has become obsolete in the current financial situation; however, not even the attempts at reforming it have come up with a solution in terms of entitlements for the currently retired population. Moreover, many activities to which the public sector allocated large amounts of subsidies by way of credits (such as low-income housing subsidies) were severely affected by budgetary constraints and others imposed by the adverse macroeconomic environment.

iii) *Public investment.* The percentage of capital expenditures in the aggregate expenditure of the non-financial public sector dropped significantly in almost every country in the region; it was without doubt the item most affected by the spending slowdown. By the end of the decade, only a few countries (Bolivia, Costa Rica, Paraguay and Venezuela) were able to recover or even exceed (as did Chile) the percentage of public

expenditure allotted to investment prior to the foreign credit squeeze (see table 3). Still, owing to the widespread downward trend in aggregate public expenditure, only a small number of countries (Brazil, Colombia, Chile and Paraguay) recorded higher real levels of public investment in the 1987-1989 period than those prevailing at the beginning of the decade. During this period, the most substantial drops in real public investment took place in Peru, Mexico, Argentina, Bolivia, Costa Rica, Guatemala, Uruguay and Venezuela. In Ecuador, despite the fact that investment suffered considerable decreases, it later recovered its 1980 level. As far as the region as a whole is concerned, public-sector real investment dropped by around 10% in the same period (see table 8).

In Peru, real public investment experienced a vigorous upturn during the 1981-1982 period (33% on average with respect to 1980) but later contracted to 40% of that average. In Venezuela, the level of public investment was quite substantial at the beginning of the 1980s (16% of GDP), owing to high oil revenues and easy access to international financial markets; it subsequently began to decline, and by 1985 had fallen to half its 1980 level. It then recovered partially, falling again in 1989 as a result of the adjustment and stabilization programme. In Mexico, after soaring by 25% in 1981, owing to extensive oil profits and capital inflows from abroad, real public investment decreased steadily during the rest of the decade; thus, 1989 levels were less than half those recorded for 1980. A similar phenomenon took place in Uruguay, where public investment declined between 1983 and 1987, to 10% lower than in 1980. Argentina's real investment decreased steadily during the first half of the decade; after a partial recovery in 1986-1988, it plunged spectacularly until, in 1989, it was 40% lower than in 1980. In Costa Rica, public investment levels also fell until, in 1987, they amounted to slightly more than 60% of those recorded for 1980. In Guatemala, the drop in investment by the central government was even larger. In Bolivia, it decreased by more than half between 1980 and 1983, but it experienced a partial improvement in the following years.

Chile is an outstanding example of the States that were able to increase their real investment by the end of the decade. In 1986-1987, it managed to double its 1980-1981 levels.¹¹ Likewise, Paraguay's investment, in 1987-1988, was 40% higher, on average, than in 1980-1981. Colombia, in 1987-1989, also managed to attain a real investment level that was 26% higher than at the beginning of the decade. In Brazil, after the slump between 1982 and 1985, public investment surpassed, in 1987-1988, the level that prevailed at the beginning of the decade. In Ecuador, however, the 1986-1987 recovery only managed to restore that level (see table 8).

The decline in public investment was not offset by an equivalent increase in private investment that could have filled the vacuum; this was due, on the one hand, to the instability generated by the crisis and its

aftershocks, and, on the other hand, to the complementary relationship between public and private investment because, in many instances, the latter is encouraged by the former. Under these circumstances, the private investment projects carried out during the period were usually those that offered a higher private profitability and, even in the most unstable situations, profit margins that guaranteed a quick return on investment. As a result of these factors, the downward trend in public investment has played a crucial role in the reduction of the gross capital formation ratio in the region, from 23% of GDP in 1980 to 16% in 1990. In many countries (Brazil, Costa Rica, Ecuador, Guatemala, Mexico, Peru and Venezuela), the drop in the public investment/GDP ratio amounts to 50% or more of the decrease in the coefficient of gross fixed capital formation in the economy that took place between 1980-1981 and 1986-1989. In others (Argentina, Bolivia and Uruguay), the drop in the public investment ratio that occurred between both periods was overshadowed by substantially greater decreases in private investment. In Chile, on the other hand, the public investment/GDP ratio rose over five points, far outweighing the severe slump in private investment. Something similar took place in Paraguay, although the moderate increase in the public investment ratio served only as a minor counterpoise to the drop in private investment. In Colombia, the rise of nearly one point in the gross fixed investment ratio was entirely due to private investment, public investment having retained its share in the product without variation (see table 9).

This downward trend in investment rates has clearly jeopardized future economic growth. Public infrastructure areas, of considerable importance to private investment and social welfare, were hit the hardest, because investment programmes almost came to a halt due to the drastic tightening of medium-term credit.

2. Trends in fiscal revenues

a) *Aggregate current revenues of the non-financial public sector*¹²

During the 1980s, current revenues of the public sector in the countries of the region evolved in different ways, although in almost every case they underwent severe reductions; at the end of the crisis decade, real levels in some countries were lower than at the beginning, while others had achieved considerable increases. The substantial drops in revenue, when they took place, were mainly linked to the economic slump, to worsening export prices and to upsurges of inflation. The widespread crisis at the beginning of the decade reduced fiscal revenues in the region as a whole; only in 1985 did they manage to surpass the real level attained in 1980, and they remained –with fluctuations– 6% higher than that level between 1986 and 1989 (see table 10).

The most pronounced slump took place in Peru, where fiscal revenues fell so sharply that, in 1989, they amounted to only one fourth of the level recorded for 1980 and 1985. In Venezuela, the trend was also negative; thus, in 1989, receipts were only 70% of what they had been in 1980. In Argentina, the decline between 1981 and 1984 was followed by a recovery from 1985 to 1987; however, after the subsequent drop, revenues were 20% below the level achieved in 1980. Uruguay's fiscal revenues also dwindled between 1981 and 1984; afterwards, they experienced an upturn until, in 1988, they equalled their 1981 levels, although they declined once again in 1989 (see figure 1 and table 10).

In Chile, fiscal revenues fell drastically during the economic recession (1982-1983), but from 1984 onwards they gradually recovered and in 1989 were 30% higher than 1980 levels, the pre-crisis maximum. In Guatemala, the trend was negative until 1984, but it improved between that year and 1988, declining afterwards once more. In Bolivia, revenues plummeted during the 1982-1984 period, as a result of the country's runaway inflation during those years; nevertheless, they experienced a remarkable recovery, albeit with fluctuations, ending the decade at a level 9% lower than in 1980. In Ecuador, revenues increased steadily until 1985-1986; then, after a sharp decline, they recovered until they exceeded 1980 levels by 22%.

In other countries, however, there were more definite trends towards real expansion of fiscal revenues, and they had achieved substantial increases by the end of the decade. Until 1984, Mexico's revenues rose progressively. They dropped in the following years, recovering once more from 1987 onwards; thus, the highest levels for the decade were attained in 1989 (32% higher than in 1980). Colombia, Costa Rica and Paraguay overcame the slumps of the early crisis years and afterwards increased their revenues until they surpassed 1980 levels by 52%, 38% and 20%, respectively. In Brazil, current public-sector revenues rose –after the decrease that took place at the beginning of the decade– until, between 1986 and 1987, they attained levels 23% higher than in 1980; however, after a subsequent drop, they ended the decade at a level only 16% higher than in 1980 (see figure 1 and table 10).

A careful look at the trends in overall fiscal capacity (tax and non-tax) in the countries of the region throughout the decade, beyond the fluctuations mentioned, reveals different patterns of structural change. On the one hand, certain States in which fund-raising by borrowing had amounted to a substantial percentage of GDP before the crisis, ultimately raised the real level of their revenues, in part owing to the increase in GDP and in part because that percentage grew. These were Mexico (from 21% to almost 25% of GDP in 1987-1989), Colombia (from more than 18% to almost 22%) and Costa Rica (from 32% to 37%). Chile also augmented its already large tax receipts (from more than 34% in 1980-1981 to 36% in 1987-1989), thus adding to the effect of growth on real receipts.

A second group of countries obtained more real resources between 1987 and 1989 than at the beginning of the decade, basically owing to their higher level of economic activity, since the fiscal revenue/GDP ratio remained mostly unchanged: around 24% in Brazil, and above 12% in Paraguay. On the other hand, Ecuador's fiscal capacity decreased (from 27% to 25% of GDP), in spite of which its fiscal resources increased as a result of its heightened level of activities towards the end of the decade.

In a third group of countries, the fiscal capacity/GDP ratio remained unchanged, but fiscal revenues did not increase. Uruguay maintained it at slightly more than 27%, but general economic stagnation meant that its percentage of fiscal revenues also remain at a standstill. Bolivia also ended the decade with a current revenue/GDP ratio similar to the one prevailing before the crisis, but the recession brought real revenues down to below pre-crisis levels (see table 11).

Argentina is one of the countries where fiscal revenues fell markedly, in its case due to the combined effects of a declining level of activity and a drop in the fiscal capacity/GDP ratio (from approximately 27% to less than 25%). In Peru, the significant decrease in this coefficient (from 25% in 1980-1981 to less than 13% in 1987-1989), owing both to the descent in tax receipts and to the reduction in the non-tax revenues/GDP ratio, further reduced the level of activities—especially in 1989—, triggering a sharp drop in public sector revenues. In Venezuela, fiscal receipts also nosedived, both in real terms and as a percentage of the product (from 37% in 1980-1981 to 26% in 1987-1989), but that was mainly due to the drop in oil revenues (see table 11).

These changes were brought about by sizeable fluctuations in the fiscal capacity/GDP ratio during the 1980s. The sharpest fluctuations were recorded in Bolivia, Peru, Costa Rica and Venezuela, where the difference between the minimum and maximum values of that ratio exceeded 10 percentage points. In the first two cases, this was attributable to dipping tax revenues and savings by State enterprises, due to the runaway inflation faced by both countries. In Costa Rica, as the 1970s drew to a close, the public sector's current revenues were in a slump, but they later recovered when inflation was brought under control and the situation of foreign payments was restored; the increase in revenues—owing both to higher tax receipts and to greater savings by State enterprises—was of almost 12 percentage points, in GDP terms. In Venezuela, however, fiscal revenues dwindled due to the sharp drop in oil prices, after the high price levels that prevailed at the beginning of the 1980s. In this period, almost all the other countries recorded fluctuations that ranged from five to seven percentage points of the product between their minimum and maximum levels of fiscal capacity. Paraguay and Uruguay are the only countries where the variations in the fiscal revenues/GDP ratio were less pronounced (see table 12).

The sharp fluctuations in fiscal revenues were due to the trends in tax receipts and non-tax receipts. States with high revenues from export products (oil and copper) have gone through severe variations in their fiscal receipts, since profits have been affected by the instability in the prices for these products on the international markets. Other substantial fluctuations were generated by the drop in tax receipts, which was set off by the upsurge of hyperinflation in certain countries –Bolivia, Peru, and, to a lesser extent, Argentina–, or by the severe recessions that took place in most of the economies in the region.

b) *Origins of the variation in fiscal capacity*

The fluctuations in fiscal capacity witnessed during this decade were attributable to positive and negative changes of various dimensions in each one of its components, with substantial differences among the countries of the region. Thus, most of those that were able to increase their fiscal capacity between the 1980-1981 and 1987-1989 periods managed to do so mainly due to increased savings by State enterprises (with respect to GDP), while, in a fourth country, the increase stemmed from higher tax receipts. In Costa Rica, more than half of the 5% increase in fiscal capacity (in GDP terms) came from savings by State enterprises, 40% from higher tax receipts, and almost one sixth from the relative rise in contributions to the social security system; meanwhile, the proportion of non-tax revenues decreased. In turn, the higher tax revenues are exclusively accounted for by the 4% increase in the proportion of GDP represented by foreign-trade tax receipts. In Colombia, the 3% rise in fiscal capacity (in GDP terms) was due to higher savings by State enterprises and to an increase in non-tax revenues; meanwhile, the share of higher tax receipts (mainly from direct and foreign-trade taxes) was minimal. In Chile, however, the growth in fiscal capacity (of 2% in GDP terms) between the two periods was solely based on a higher level of savings by State enterprises, which amounted to 5% of GDP, and on copper taxes (almost 2%), since social security contributions dropped by more than 3%, in GDP terms, and direct tax receipts (aside from the ones related to copper) declined. Conversely, in Mexico, the growth in fiscal capacity (of 3.5% in GDP terms) was the result of higher tax receipts, especially those from excise taxes, since the share in GDP of savings by State enterprises as a whole remained stable, despite of the fact that those corresponding to the oil sector dropped due to the decrease in international crude oil prices (see table 13).

In the countries where fiscal capacity remained relatively stable, or where it underwent a slight decline during the decade, its various components also experienced minimal fluctuations. In Uruguay, the somewhat higher than 0.5% growth was mainly due to the increase in social security contributions. In Guatemala, fiscal capacity remained practically

unchanged, as did each one of its components. In Brazil, the slight drop in the current revenue/GDP ratio was a result of a modest decrease in tax receipts and in State enterprise savings, as well as of a greater contraction (almost 1% of GDP) in social security contributions; meanwhile, non-tax receipts increased by almost 1%, in GDP terms. In turn, the drop in tax revenues was due to a decrease in excise and foreign-trade tax receipts; however, it was partially offset by higher direct tax receipts. In Paraguay, the slight reduction in fiscal capacity resulted from a 1% drop in tax receipts, in GDP terms, which was partially counterbalanced by a moderate increase in State-enterprise savings.

The 2% decrease of fiscal capacity in Argentina, in GDP terms, was due to a drop in tax receipts and in non-tax revenues. In Ecuador, the almost 2% decline in fiscal capacity came mainly as a result of the almost 4% decrease in direct tax receipts and, to a lesser extent, as a consequence of lower social security contributions, non-tax revenues, and State enterprise savings; nevertheless, it was partially lessened by the more than 3% increase in excise-tax receipts (see table 13).

In the two countries where fiscal capacity fell sharply throughout the decade, the causal factors were different. In Peru, the decrease (12% of GDP) was widespread, since all of the components dropped significantly, especially tax receipts (almost 7% of GDP) and State-enterprise savings (almost 4%). In Venezuela, the decrease in fiscal capacity was similar, but it was mainly a consequence of the drop in direct taxes paid by the oil sector (11%), owing to the downward trend in oil prices on the international market. This drop was minimally offset by higher non-tax revenues, while contributions for social security also diminished (see table 13).

c) *Tax receipts*

The tax yield in Latin American countries underwent sharp fluctuations throughout the 1980s. During the first years of the decade, at the height of the economic crisis, real tax revenues fell in almost every country of the region; only Mexico maintained an upward trend until 1985. The most substantial reductions took place in Bolivia (67% in 1982-1984), Venezuela (49% in 1982-1986), Guatemala (43% in 1981-1984), Peru (37% in 1981-1983), Uruguay (35% in 1982-1984), Argentina (22% in 1981-1984) and Chile (17% in 1982-1983).

Real tax yields also diminished in Colombia, Ecuador and Paraguay (between 10% and 15%), while, in Brazil and Costa Rica, decreases of only 3% took place in the first half of the decade (see figure 4 and table 15).

Starting in 1985, tax yields began recovering their levels in real terms in many of those countries; in 1990, some (Bolivia, Colombia, Costa Rica, Ecuador and Mexico) even managed to exceed their 1980 levels by about 40%, in real terms. In Brazil and Chile, the accumulated increases in tax

receipts during the decade amounted to 22% and 17%, respectively; meanwhile, revenues in Paraguay and Uruguay only returned to their pre-crisis levels. On the other hand, tax yields in Guatemala and Venezuela only partially improved; thus, by 1990, they were still 15% and 22% lower, respectively, than in 1980. In Argentina, real tax yields experienced a partial recovery starting in 1985, but they dropped again at the end of the decade, reaching their lowest level in 1990 (28% less than in 1980). In Peru, after a relative recovery experienced during 1984 and 1985, tax receipts plummeted in the second half of the decade; thus, in 1990, they amounted to one third of what they were in 1980 (see figure 4).

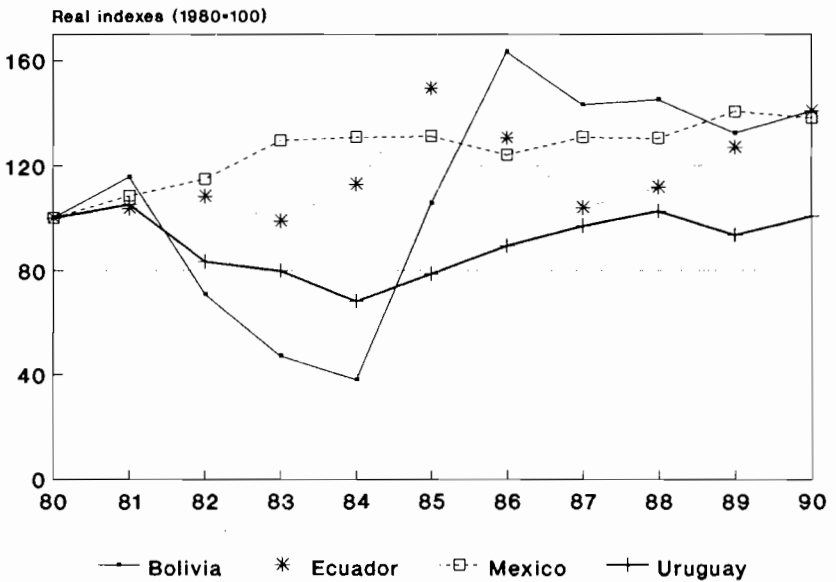
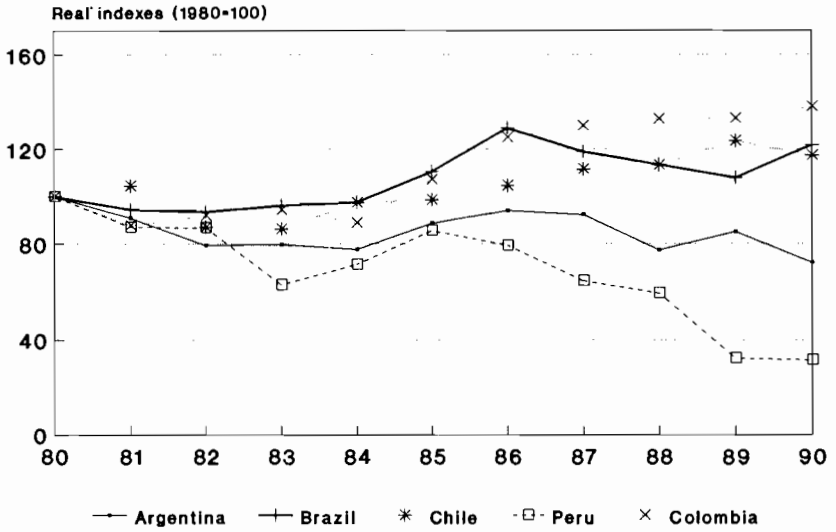
As a consequence of these widely varying developments, real tax receipts for the region as a whole decreased by more than 5% in 1982, later recovering gradually until 1986, when they attained a level 8% higher than in 1981. In the following years, they stood at a level slightly lower than that maximum, reaching it once more in 1990, as a result of which the real increase in accumulated tax receipts during the decade was similar to the growth in GDP (see table 15).

The shrinking of the tax base and accelerated inflation account for the drop in tax receipts during the first half of the decade. The reduction of the tax base, in turn, was brought about by recession, the drop in imports, and capital flight, which had a negative impact on a number of kinds of taxes. This downward trend was also aggravated by the increase in tax evasion, which was spurred, in turn, by the financial constraints faced by the private sector, the "dollarization" that took place in some countries and the impairment of the central government's administrative efficiency, especially in those instances when across-the-board cuts in public expenditures were put into effect. On the other hand, the growing informalization of certain economies further compounded the drop in tax revenues.

During the 1980s, many countries underwent a substantial slowdown in activities. Argentina, Nicaragua and Peru recorded an accumulated decrease in GDP of 13%, 17% and 10%, respectively, between 1981 and 1990. Other countries experienced significant drops in certain periods, such as Bolivia, Costa Rica, Chile and Uruguay in the first years of the decade, and, more recently, Brazil and Panama. The decrease in imports was also substantial; they fell by 60% in Argentina, by approximately 25% in Ecuador Uruguay, and Venezuela, and by 13% in Brazil. This contraction in foreign purchases reduced the tax base of a number of activities that, in some of those countries, had been an important source of public-sector resources.

In turn, worsening inflation pushed down the real tax yield, as a result of the time lag between the moment when taxable income is generated and its real collection by the State (the so-called *Olivera-Tanzi effect*). It should be especially kept in mind that five countries –Argentina, Bolivia, Brazil,

Figure 4
LATIN AMERICA: GENERAL
GOVERNMENT TAX REVENUES



Source: ECLAC, on the basis of official figures.

Nicaragua and Peru— underwent periods of hyperinflation, during which fiscal revenues appreciably decreased in real terms, although they later recovered when the rate of price increases slowed down. Other countries also faced vigorous upsurges of inflation, such as Uruguay between 1983 and 1985 and then between 1988 and 1990, Costa Rica in 1981 and 1982, Ecuador in 1988, Mexico in 1982 and the 1986-1987 two-year period, Guatemala, Honduras, Paraguay and the Dominican Republic in 1990, and Venezuela in 1989. The consequences were harsher in those countries without a tradition of inflation, since the acceleration of price increases triggered an immediate drop in real yields, due to the absence of indexing mechanisms for taxable income or for the receipts from various taxes.

In order to make up for the drop in fiscal revenues and the increase in fiscal expenditures throughout the 1980s, most of the countries reformed their tax systems, although frequently with disappointing results, whether as a result of the meager increase in yields or due to their short-lived effects.

Generally speaking, tax revenue adjustments for budget-balancing purposes were minimal. Among the main exceptions to this are Bolivia, where tax receipts between 1988 and 1990 surpassed 1980-1981 levels by 4%, in GDP terms, and Mexico, where at the end of the decade tax receipts were 3% higher, in GDP terms, than 1980-1981 levels; meanwhile, in Costa Rica, they grew by 1.5% of GDP during the same period. Colombia has periodically carried out tax reforms that have enabled it to keep tax revenues at approximately 13% of GDP. In Chile's case, tax receipts at the beginning of the decade (slightly over 20%, in GDP terms) were lower than the maximum level recorded for 1975, but slightly higher than the one prevailing in 1970. It remained stable throughout the decade and then fell by almost 1.5% of GDP, as a result of the 1989 reform. In other countries, the negative impact of the macroeconomic environment on tax receipts was just barely mitigated. Thus Argentina, owing to the introduction of special taxes and to constant adjustments to national and provincial taxes, was able to abate the fall in tax receipts that was triggered by instability and runaway inflation; nevertheless, they still fell by 2% of GDP between 1988 and 1990. Brazil also resorted to special taxes and to modifications of its revenue system, such as the shorting of terms, in order to keep tax receipts at approximately 14% of GDP (see table 16).

d) *The structure of tax revenues*

In spite of the short-term swings in tax revenues in most Latin American countries, the relative weight of the various types of taxes remained basically unaltered. Excise taxes clearly prevailed, except in oil-exporting countries. In these, the share of the various taxes on oil activities is considerable, but it is subject to sharp fluctuations that are linked to developments in oil exports. In Ecuador, this type of revenue amounted to

50% of tax receipts in 1985, and its lowest share was 33%, in 1987. In Mexico, the proportion of oil-related taxes reached its maximum level (36%) in 1985 and its minimum (22%) in 1988. In Venezuela, it ranged from 72% in 1981 to 41% in 1986-1987. In Chile, copper-related revenues are also of high significance, but not as much as those yielded by oil in the aforementioned countries. In 1988, with the increase in copper prices, these taxes amounted to 24% of the total, but throughout the decade they fluctuated between 1% and 10% (see table 14).

Prior to the financial adjustment processes of the 1980s, direct taxes—save for those cases already mentioned—amounted to 36% of tax receipts in Mexico, 26% in Chile, Paraguay and Peru, 22% in Brazil, Colombia (of those received by the central government) and Costa Rica, 21% in Ecuador and about 15% of the total in Bolivia, Guatemala and Venezuela. In Argentina and Uruguay, direct tax collections by the central government also amounted to 15%, but in those cases the direct component of local taxes had to be added (see table 14).

Only in a few instances did tax reforms—of various types, dimensions, scopes, and duration—produce radical changes in the structure of tax revenues, although they lowered the percentage of revenues contingent upon direct taxes. In Bolivia those taxes amounted only to 5% of the total. In Chile and Ecuador, the percentage share of direct taxes (excluding those on copper and oil, respectively) fell to 15% or less. However, it only dropped to 19% in Costa Rica and to slightly more than 20% in Paraguay. During the first years of the crisis, the proportion of direct taxes also fell in Mexico, to a level between 22% and 25% (excluding those on oil); however, starting in 1988, it started to rise and eventually amounted to 30%.

Nevertheless, other reforms have yielded an increase in the relative contribution of direct taxes, especially after the recessions that took place during the first years of the crisis. Thus, their percentage share in the total was almost 30% in Brazil, 28% in Peru (until 1988), 26% in Colombia (in relation to the central government's tax receipts), 20% in Venezuela (excluding direct taxes on oil), 19% in Guatemala and 17% in Argentina and Uruguay (see table 14).

Taxes on foreign trade are a source of considerable income only in certain countries. In Costa Rica, Colombia and Chile, the dismantling of trade barriers has helped to raise the percentage share of these taxes to 50%, over 20% and 16% of the total, respectively. Likewise, in Guatemala and Peru, they maintained a high percentage share in total receipts (30% and 20%, respectively) (see table 14).

e) *Social security contributions*

During the 1980s, the percentage of social security revenues in relation to GDP decreased in most countries of the region. The largest drop took place

in Chile, where this type of fiscal revenue fell from over 6% of GDP in 1980 to less than 2% in 1988, that is, an accumulated 63% decrease in real revenue. This severe downturn was a result of the reform of the social insurance system which had been carried out at the beginning of the decade, leading the bulk of the labour force to shift from the public system to the new, privately-owned one. In Argentina, social security revenues, which had undergone numerous changes throughout the decade, also fell. They plummeted in 1981 (by more than 50%), as a result of the modifications to the tax system, since payroll-based employers' contributions were replaced by excise taxes on merchandise transactions, which led to the drop in the system's revenues from 5% to slightly more than 2% of GDP. Subsequently, when the old employer-contribution mechanism was reinstated, contributions to social security grew to 4% of GDP. However, real revenues were not able to regain their 1980 levels, owing to the lower yields resulting from high inflation and economic recession. In Peru, contributions to social security also decreased substantially in the 1982-1983 period, but they later experienced a sizeable recovery until 1987, when they surpassed 1980 levels by almost 30%. In 1988 and 1989, however, these contributions decreased significantly because of the economic crisis, which led to an almost 60% drop; thus, 1989 levels were only half of those of 1980. In Bolivia, social security contributions also shrank noticeably, but they experienced a partial recovery in 1986 and 1987. Brazil and Mexico recorded relatively steady trends in social security contributions which, despite pronounced fluctuations throughout the decade, enabled them to maintain their levels at over 4% and 1% of the product, respectively (see tables 12 and 13).

Costa Rica and Uruguay were the only countries that registered substantial growth in social security receipts (approximately 1% of GDP). In the former case, it led to a significant expansion (28%) of real revenues. In Uruguay, given the stagnation of the product, it meant only a modest increase (10%). Paraguay and Colombia recorded a slight increase in social security contributions, stemming from the upturn in the economy; however, the percentage share of this item in the non-financial public-sector's current revenues was still limited (see table 13).

f) *Non-tax revenues*¹³

The heterogeneous array of non-tax revenues of the central government usually ranges from 2% to 3% of GDP in most countries of the region, although it almost reached 5% in some instances and amounted to less than 1% in others. Broadly speaking, during the 1980s levels of non-tax revenues have undergone important changes, whether positive or negative, which were closely linked to fluctuations in corporate income taxes.

In Argentina, non-tax revenues amounted to approximately 4% of GDP during the 1980-1981 period, while in the 1987-1989 period they equalled

less than 3%; considering the drop in GDP, it means that the level had fallen to almost half of what it had been in 1980. In Costa Rica, the ratio between non-tax revenues and GDP also decreased (from 3% to 2%) during the decade, but with very irregular patterns, since it dropped abruptly in 1981 and 1982 and then recovered, albeit partially; thus, real revenues in 1987 were half of what they had been in 1980. In Ecuador, the ratio between these revenues and GDP declined from almost 5% to less than 4%, but only during 1987 –since earthquake-related damages to oil production negatively affected the remittance of profits to the government–, since in previous years its trend had been towards growth. There was also a decline in Peru (from over 2% to less than 1%), concomitant with the drop in other current revenue items, as a result of the deep crisis that affected the country during the 1980s. Likewise, in Bolivia and Uruguay, the ratio between non-tax revenues and GDP remained practically stable between 1980-1981 and 1987, but experienced pronounced fluctuations throughout the decade (see table 13).

In Colombia, however, the ratio between non-tax revenues and GDP rose by more than 1% between the 1980-1981 and 1987-1989 periods; during that time segment, real revenues under this heading much more than doubled as a result of an economic upturn. Mexico's real non-tax revenues also displayed an upward trend and, despite some ups and downs, the level recorded from 1987 to 1989 was 50% higher than when the decade started. In Chile, these revenues fell between 1981 and 1983, but a subsequent recovery enabled them, in 1987 and 1988, to surpass 1980-1981 levels by 25%. In Brazil, non-tax revenues increased until 1988, but it then declined as a result of the severe dislocation suffered by the Brazilian economy in recent years. In Venezuela, the share of non-tax revenues in GDP increased by almost two percentage points; this made possible a 40% rise in real revenues, owing to exchange premiums that largely offset the decrease in oil-related contributions. In Guatemala and Paraguay, these revenues grew substantially throughout the decade (more than 30%), but they still amount to only slightly more than 1% of GDP (see table 12).

g) *Savings by government enterprises*¹⁴

In those instances where the bulk of public-sector enterprises deal with the tapping of mining or energy resources, the production of primary industrial inputs or the rendering of essential services in monopolistic markets, their spending trends have been mainly determined by the performance of their export markets, the setting of their sales prices (in the case of industrial firms) and the regulation of their rates. The streamlining programmes carried out within these enterprises have had an impact only in some cases. Nevertheless, a portion of their net revenues can be appropriated by the government through diverse procedures; it is therefore possible that the amount of saving may be substantially reduced thereby not

reflecting the total amount of contributions from these activities to public-sector financing.

In those countries where public enterprise revenues mainly originate from exports of natural resources, the developments in those sectors are closely linked to the international prices for the products. That accounts for the trend in this type of revenue in the oil-exporting countries, where they shrank significantly due to the fall in crude oil prices. In Venezuela, state enterprise savings amounted to 7.5% of GDP in 1980 (25% if direct taxes paid by the oil sector are added), but it was negative in 1981 (-1%), when a modification to the tax system allowed the government to tap the huge surplus. Savings by enterprises rose in the 1982-1983 period as a result of a tax cut on the oil sector's gross revenues, even though these revenues decreased. During the following years it remained approximately at 4%, falling to 2% in 1987 owing to the pronounced drop in oil prices on the international market. This situation prevailed until 1990, when hydrocarbon prices experienced a noticeable recovery and the volume exported grew as a result of the Persian Gulf crisis. In Ecuador, state enterprise savings have fluctuated, together with oil prices, between 1.5% and 2.5% of GDP (see table 17). In Mexico, the savings of *Petróleos Mexicanos* (PEMEX), which had grown to 5% of GDP in 1983, subsequently dwindled, partly because the drop in oil revenues was not reflected in the tax receipts coming from that sector, which remained approximately at 6% of GDP. The non-oil state enterprises, however, whose savings had amounted to less than 1% of the product at the beginning of the decade, progressively increased them until they exceeded 2% of GDP between 1987 and 1989 (see table 12).

In Chile, state-enterprise savings are determined by the trends in copper earnings; therefore, it decreased in real terms until 1982 but subsequently recovered, growing substantially in 1988 as a result of higher copper prices on the international market. Thus, aggregate savings of state enterprises, which in 1980 and 1981 had amounted to 6% of GDP, were now equal to 10% in 1985 and 1986, and to 14% in 1988. In Colombia, state enterprise savings fell, in real terms, during the first years of the decade –when they amounted to approximately 3% of GDP–, but they then showed a clearly upward trend, owing to the large increase in oil and coal exports by the respective state enterprises, thus raising overall savings to 5% of GDP. In Bolivia, savings by state enterprises, which amounted to 7% of GDP in 1980, decreased steadily throughout the decade, turning negative in 1987; this was due to the substantial drop in the value of tin and natural gas exports, the main revenue sources for Bolivian state enterprises (see table 17).

In the countries where state enterprise revenues are generated by the rendering of public services, their real savings were for the most part small, and even negative in some years. In Peru, their real level in 1989 amounted to only 16% of the levels recorded for 1980, mostly due to the fact that service rates were not adjusted correctly to the spiralling of inflation. In

Brazil and Uruguay, the real value of state enterprise savings dropped sharply until 1983; it then recovered, albeit irregularly, returning by the end of the decade to levels slightly higher than those for 1980. In the former, the value fluctuated between 3% and 4% of GDP and, in the latter, between 2% and 3%. In Argentina, state enterprise savings have maintained their reduced share in public-sector revenues, since, during the decade, they never attained 2% of GDP. On the other hand, they were subject to strong fluctuations, and their coefficient was even negative in 1983. However, in Costa Rica and Paraguay, state-enterprise savings grew throughout the decade, although their path was not steady. In Costa Rica, the contribution of these savings to the public-sector's current revenues and to the product have been very large, since in this case they include state commercial banks, whose involvement in financial activities is quite extensive (see table 17).

The time lags in the value of public rates during certain periods are the result of their role as instruments of anti-inflationary policy. Nevertheless, after the upsurges of inflation that resulted from their heavy budget deficits, the countries affected were compelled to substantially adjust rates so as to eliminate state enterprise losses and in certain cases, as in that of fuels, efforts were made to obtain a significant resource surplus that would be an effective means of financing for the central government.¹⁵ Thus, in Peru, the value of public rates increased many times in 1990 in order to generate a surplus that would aid in reducing the shortfall in tax revenue. Argentina and Brazil have frequently adjusted their public rates so as to eliminate state enterprise deficits, but inflation has been so uncontrollable that in a short span of time they were lagging behind once again. The lack of financing that affected state enterprises in many countries of the region, whether due to time lags in their rates or as a result of the need to transfer greater amounts of their surpluses to the central government, had a negative impact on the services rendered. Specifically, this was very detrimental to investment in this sector, since it was already constrained by the foreign credit squeeze. That not only curbed growth opportunities, but also reduced replenishment investments and upkeeping expenditures.

h) *International comparison of the fiscal capacity of Latin American countries*

The fiscal capacity of Latin American countries is remarkably lower than that of developed countries, where it amounts to more than 30% of GDP, and in certain cases (Sweden), to more than 50%. In most of the countries in the region, however, aggregate fiscal revenues amount to between 21% and 25% of GDP, but in some cases (such as Bolivia) it does not even reach 20%, and in others (such as Paraguay, Peru and Guatemala) it barely approaches 10% (see table 18). The reduced Latin American fiscal capacity is due to the fact that tax receipts and social security contributions

are substantially lower, while very large revenues from non-tax sources are collected, which, in the case of countries that export natural resources, include part of the revenues from those exports.

The highest amount of tax receipts in the region has been collected in Chile, approximately 20% of GDP. Those of a large group of countries (Argentina, Bolivia, Costa Rica, Ecuador, Mexico, Uruguay and Venezuela) fluctuate between 16% and 18%, while Brazil's tax receipts amount to 14%, and those of Colombia to 13% of the product. There are also others (Guatemala, Paraguay and most of the Central American and Caribbean countries) where tax receipts have traditionally been minimal –less than 10% of GDP.

The developed countries, however, have recorded tax efforts in recent years that exceeded 20% of GDP. Hence, they currently amount to 21% in the United States; 21% in Spain, with an upward trend; approximately 25% in Germany, France, and Italy; in the United Kingdom 30%; and, in Sweden 42% of GDP. As a result of these higher tax receipts, as well as greater development in those countries, their per capita tax burden is several times larger than in Latin America. However, there are no major differences between the tax efforts of the region and those of Southeast Asian countries (see table 18).

Some of the largest tax efforts in the region are based mainly on high receipts from direct taxes on the export of natural resources, as in the case of oil-exporting countries (Ecuador, Mexico and Venezuela) and of Chile, due to foreign copper sales. If these revenues are excluded, direct tax receipts in Latin American countries amount to between 2% and 4% of GDP, reaching 5% only in Mexico. This differs from the situation in other regions. Direct tax receipts are remarkably higher in developed countries, in most of which they exceed 10% of GDP (in Sweden they amount to 24%). The make-up of tax revenues also differs in relation to the countries of Southeast Asia; in these, direct taxes play a major role and their ratio *vis-à-vis* the product doubles or triples that of Latin America (see table 18).

In the countries of the region, social security revenues are relatively low (between 1% and 4% of GDP); it amounts to 7% of GDP only in Costa Rica and Uruguay. In the developed countries, these contributions are remarkably higher, highlighting the fact that the relative disparity between these countries and those of Latin America is greater in this case than in that of tax revenues. In fact, the lowest levels of social security contributions among the members of the Organization for Economic Cooperation and Development (OECD) are found in the United Kingdom (7% of the product) and in the United States (9%), while they amount to 12% in Spain and Italy, 14% in Germany and 16% in France. Accordingly, in the developed countries, per capita social security receipts are several times as high as in Latin American countries, given the differences in per capita GDP. This alone accounts for the enormous disparities between social security systems

in Latin America and in those countries, especially with regard to the scope and quality of the services rendered. On the other hand, when comparing social security receipts to those of Southeast Asian countries –where they amount to less than 1% of GDP–, their various institutional systems designed to look after the workers' social welfare should be taken into account.

3. The extent of the fiscal deficit

During the 1980s, the combined effect of declining fiscal revenues, the pressure of the debt burden of state budgets and the relative inflexibility of expenditures brought about a substantial increase in the nominal deficits of the non-financial public sector which, in the countries of the region, were extremely large. Likewise, in many instances, Central Bank accounts displayed quite considerable negative balances, as a result of numerous fiscal expenditures that these institutions had to take upon themselves; thus, in some periods, the aggregate deficit of the public sector reached unprecedented levels in Latin American economies. These imbalances in public finances produced instability and have had a negative impact on the macroeconomic environment.

In many cases, the large deficits were augmented by the effect of inflation on interest payments on the public debt contracted in local currency. Accelerated inflation brings about –among other consequences– severe distortions in the estimation of public-sector deficits, as nominal deficits mount owing to the effects of higher interest payments on the domestic debt; they increase in nominal terms in order to cover not only the earnings on capital (the “real” element), but also the implicit indexation of the real value of the debt principal (a component which is tantamount to an “indexation” of the debt), equal to an real anticipated redemption of the debt. In order to correct this distortion, the “public-sector’s operational deficit” concept is used, which consists of deducting, from the nominal deficit, the inflation-caused increase in the interests on public debt contracted in local currency.¹⁶

In any case, the high financial costs entailed by interest payments on foreign debt and, in some instances, that of interests (and even of the “real” element) on the growing domestic debt in local currency, sparked off severe imbalances in public finances. The financial authorities were not capable of exerting enough influence on those financial costs which were, essentially, out of their control. Therefore, the governments’ margin for financial action was limited to the other expenditures, as well as to revenues. The end result of their changes over time is reflected in what is called the “primary” deficit or, in other terms, the nominal deficit minus the financial expenditures on public debt interests. This primary deficit decreased in many countries and, in some cases, it even turned negative, thus achieving substantial surpluses. This trend clearly illustrates the financial adjustment efforts carried out in the region to confront the crisis (see figure 5).

Figure 5
**LATIN AMERICA: INTEREST ON THE PUBLIC DEBT AND THE
 PRIMARY BALANCE IN SELECTED COUNTRIES^a**

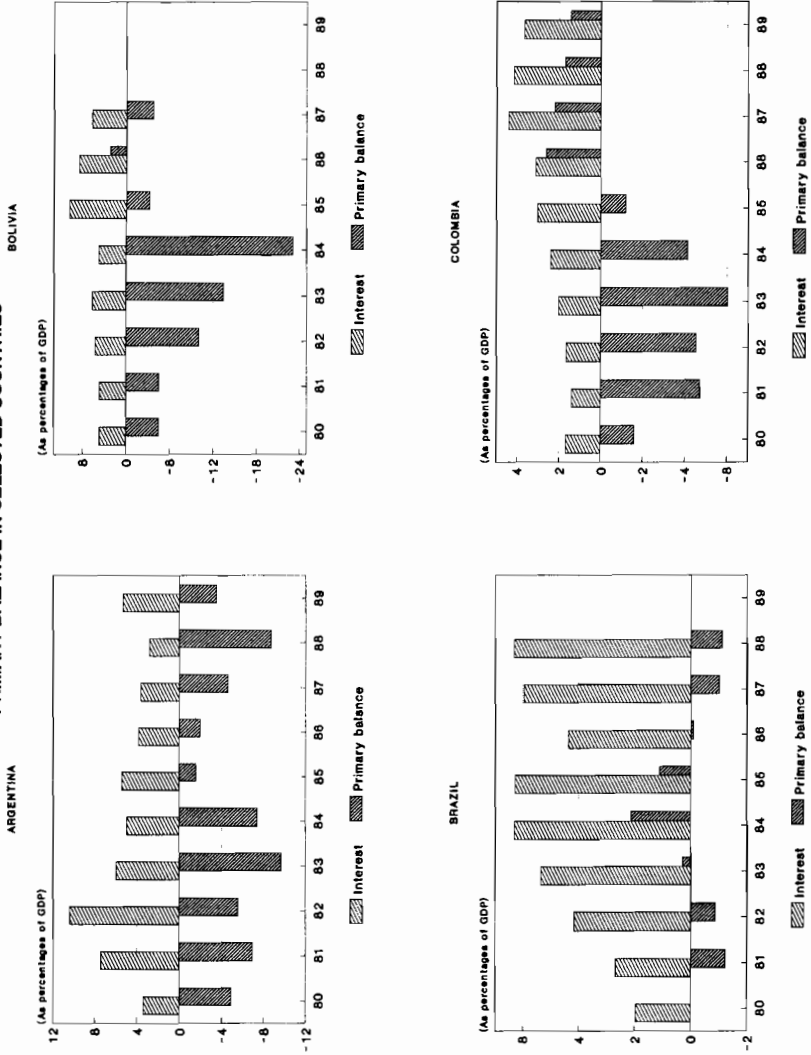


Figure 5 (continued)

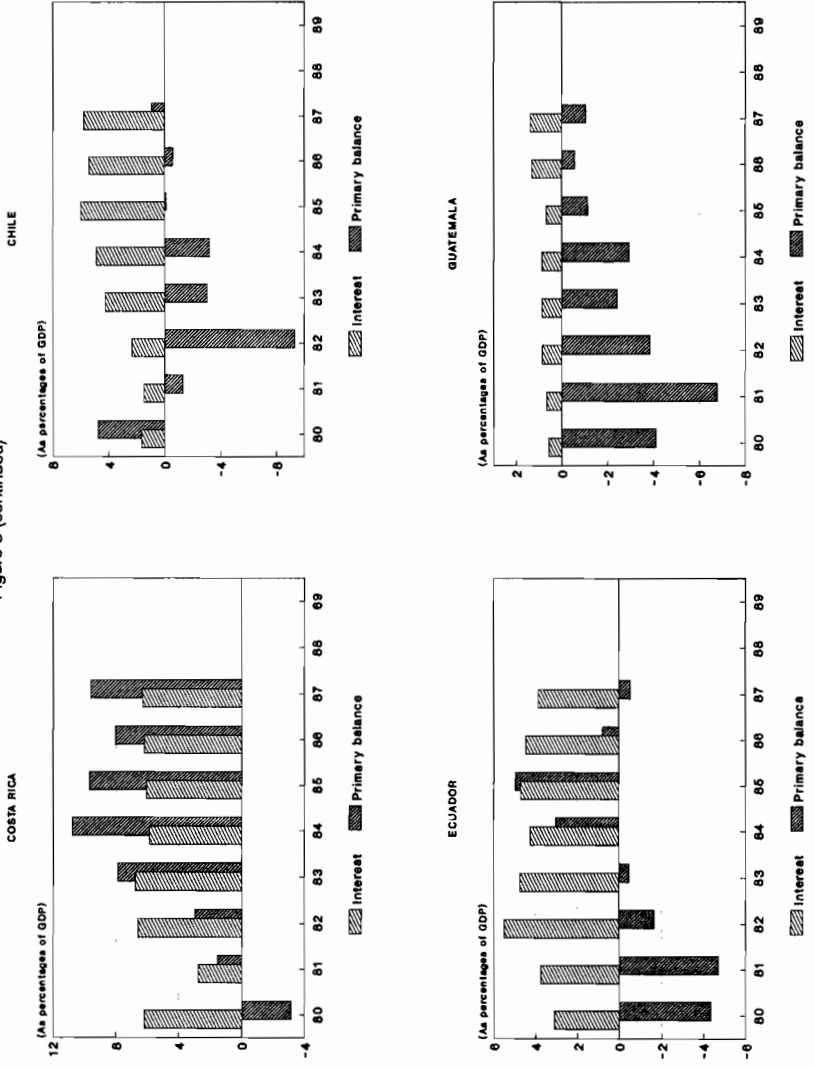
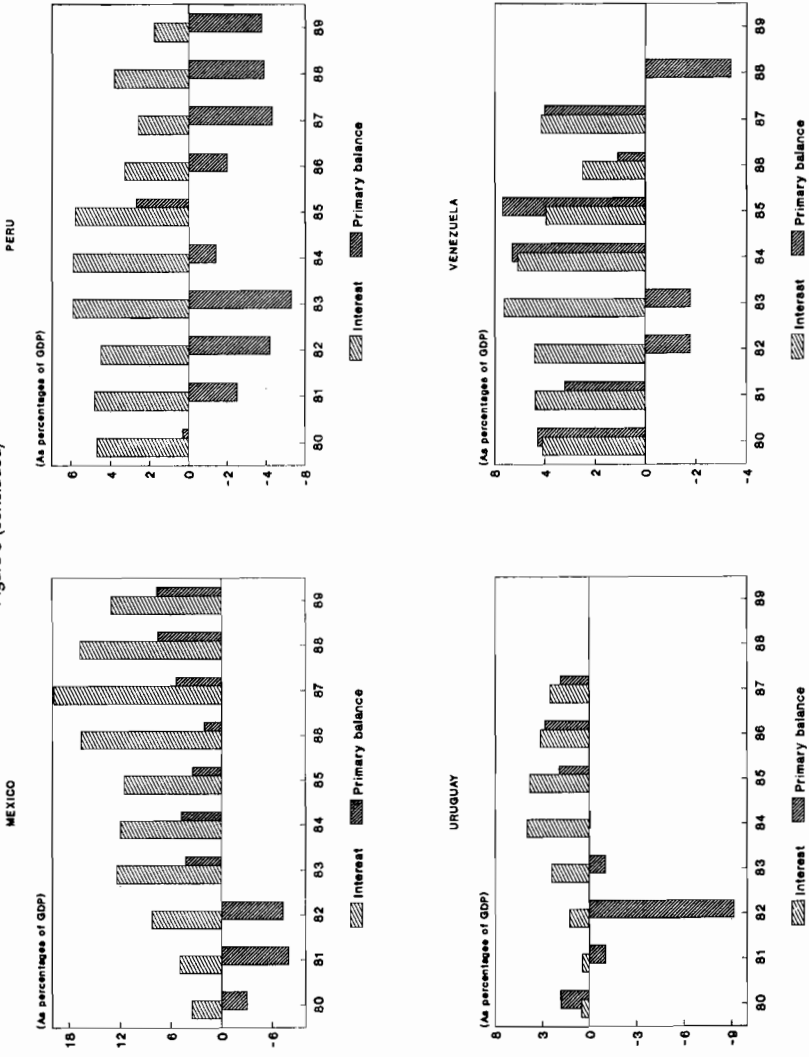


Figure 5 (concluded)



Source: ECLAC, on the basis of figures provided by official sources and by the ECLAC/UNEP Regional Project on Fiscal Policies.
 a. The primary balance is equivalent to the difference between current income and total expenditure, as defined in figure 1.

Brazil recorded the highest nominal deficit throughout the 1980s. This deficit rapidly started to increase from the beginning of the decade onwards, slowing down in 1986, until it amounted to 83% of GDP in 1989.¹⁷ On the other hand, the operational deficit of the non-financial public sector—which excludes an estimate of the effects of inflation on nominal interest payments—was remarkably lower, although still substantial and it tended to rise: from 2% of GDP in 1980 to 5% between 1982 and 1983, where it remained stable practically until 1987, when it grew to 7%. It should be noted that this growth of the deficit took place despite the elimination (towards 1986) of the state-enterprise deficits. Still, during the decade, Brazil's fiscal accounts recorded moderate primary deficits (around 1% of GDP) and even primary surpluses (between 1983 and 1986), illustrating the fact that the public sector's many financing needs were, for the most part, generated by high interest payments. Even though a sizeable amount of the nominal deficit was caused by high domestic interest rates, its large volume sparked off, in any case, substantial macroeconomic instability, since the government constantly had to refinance its domestic debt by marketing new state securities at ever-increasing interest rates. That almost explosive situation forced the authorities to freeze most financial assets in March 1990 (see table 19).

In Bolivia, the nominal deficit grew rapidly during the first half of the decade—in a process of mutual feedback with the upsurge of inflation—until it amounted to 26% of the product in 1984; afterwards, it dropped to 3% in 1986 due to the harsh adjustment programme put into effect from the second half of 1985 onwards. Nevertheless, in 1987 the deficit once again rose to almost 8%, mainly on account of the financial imbalance of state enterprises; however, that did not pose significant problems, since the interests on public foreign debt (which amounted to almost 5% of GDP) had been defaulted on.¹⁸ Subsequently, the deficit decreased substantially as a consequence of the agreements on debt reduction, which led to a sizeable drop in the commitments with the international commercial banking system.

In Mexico, the non-financial public-sector's nominal deficit also burgeoned. It soared during the first years of the decade, until it amounted to 16% of GDP in 1982. Afterwards, it dropped to approximately half that amount; however, it started increasing once more from 1985 onwards and it exceeded 14% in the 1986-1987 period. The public-sector's nominal deficit fell in 1989 to slightly more than 5%, due to the stabilization programme introduced in 1987, which made it possible to significantly reduce inflation. A central feature of these developments in the imbalance of the non-financial public sector was the growing interest burden of the public debt, which amounted to almost 20% of GDP in 1987. In contrast, starting in 1983 public enterprises generated surpluses or only small deficits. The ballooning of the deficit during the two aforementioned periods was—as in Brazil's case—largely due to the effect of inflation on domestic debt

servicing and to the resulting need for greater borrowing, although their consequences were significantly less relevant in Mexico. In fact, the operational deficit was much lower than the nominal, even though it still attained substantial levels, as in 1981, when it amounted to 10% of GDP. It dropped noticeably in 1982 as a result of the high inflation rate recorded that year and it kept declining up to 1984. Subsequently, it rose once again until it exceeded 5% of GDP in 1986; however, in 1987 it began to decline, although with fluctuations, until it amounted to less than 1% of GDP in 1989. The financial adjustment effort is made more obvious through the developments in the primary balance, since the approximately 8% deficit of 1981 and 1982, starting the following year, became a surplus that amounted to almost 8% of GDP in 1989¹⁹ (see table 19 and figure 5).

Argentina also recorded strong increases in its nominal deficit during the first years of the decade; it amounted to 15% of the product in 1982 and 1983; however, it subsequently began falling, helped by the significant reduction, in real terms, of interests on the public domestic debt and by the decrease in the deficits of state enterprises. Thus, the nominal deficit of the non-financial public sector dropped to less than 5% of the product in 1986. In 1987 and 1988 the deficit grew again, to 11% and 9% of GDP, respectively, basically owing to the fact that the ratio between revenues and the product fell once more. Starting in 1989, the nominal deficit experienced a new decline on account of hyperinflation; thus, inflationary forms of financing disappeared and expenditures were limited to revenue collections. The primary deficit, in turn, which had risen from 5% of GDP in 1980 to almost 10% in 1983, subsequently underwent a major decrease, until it equalled less than 2% of the product in 1985 and 1986; in 1988, it rose to almost 9%, dropping to 2% of the product in 1990, owing to periods of hyperinflation and to the subsequent adjustment (see figure 5). Nevertheless, the aggregate deficit of the public sector was more pronounced than that of the non-financial public sector; this is due to the fact that the considerable expenditures carried out by the Central Bank—in various periods—, in order to absorb the high liquidity which had been generated by the financial aid for the government, also must be taken into account. The fiscal-like deficit that ensued from these operations and from others of a similar nature, progressively grew until it exceeded 5% of GDP in 1984, hovering around the 3% mark between 1985 and 1987.²⁰

In Uruguay, the nominal deficit of the non-financial public sector²¹ shot up in 1982, when it equalled more than 10% of GDP, but then it dropped ostensibly, until it amounted to less than 1% of the product in 1986 and 1987, owing to the fiscal adjustment that had been put into effect; this, in turn, enabled state enterprises to obtain surpluses starting in 1983 (which amounted to 2.6% of GDP in 1984), also turning the previous primary deficit into a surplus ranging from two to three points of the product, from 1985 onwards. The reduction of the interest burden, from 4% of GDP to 2.5% (see

figure 5 and table 19), was also a contributing factor. Nevertheless, the Central Bank deficit has remained at approximately 3% of GDP since 1983, making up the bulk of the financing needs of the public sector as a whole. In 1988 and 1989, there was a new increase in the nominal deficit of the non-financial public sector, making it necessary to carry out a new fiscal adjustment in 1990.

In Peru, the deficit surged, amounting to 10% of the product in 1983. It decreased considerably during the following years, due to the steps taken by the authorities; thus, it amounted to less than 3% of GDP in 1985. Between 1986 and 1988, the public-sector deficit rose once again, to more than 7% of the product, as a result of the expansion-oriented policies, in connection with spending, of the new government that had taken office in late July 1985; moreover, there was also the effect of the extensive exchange subsidies administered by the National Reserve Bank of Peru, whose quasi-fiscal operations produced deficits that grew from 1.5% of the product in 1985 to almost 7% in 1988. In 1989, the nominal deficit underwent a substantial decline, owing to the fact that the vigorous surge of inflation drastically reduced real expenditures. Therefore, in spite of a significant drop in receipts, the deficit decreased because the government did not have at its disposal any financing source –not even the inflation tax– for additional spending.

In Costa Rica, the public-sector deficit grew considerably in 1980 (to more than 9% of GDP), but it later fell drastically owing to the adjustment programme that was put into effect. This led to the reduction in the financing needs of the non-financial public sector and, starting in 1983, to the generation of a surplus that amounted to almost 5% of GDP in 1984 and to more than 3% in 1987. This situation came about in spite of heavy deficits run by state enterprises (around 9% of the product) and the interest burden (more than 6% of GDP) and also owing to the increased fiscal effort and to the stabilization of the ratio between public spending and the product. Colombia recorded a substantial increase in its non-financial public-sector's deficit, which amounted to almost 8% of GDP in 1983; subsequently, however, largely owing to a tax reform that increased the fiscal effort, as well as to expenditure-curbing measures, the deficit fell sharply, standing at approximately 2% of the product during the 1987-1989 period. The adjustment carried out by state enterprises, the deficit (around 4% of GDP until 1985) of which dropped to insignificant proportions, was a contributing factor in this development (see figure 5 and table 19).

Ecuador's non-financial public sector ran a large nominal deficit between 1980 and 1982 (around 8% of the product), which later decreased until it disappeared in 1985, when a surplus amounting to 5% of GDP was generated. The deficit grew again, over the following years, mainly as a result of the decrease in revenues from the oil sector, which dropped to 4% of GDP. The deficit of the financial public sector remained very high,

reaching a maximum of 23% of GDP in 1983 and then gradually declining until it amounted to 9% in 1987.²² In Paraguay, the non-financial public-sector's deficit climbed to 5% of GDP in 1984, but it subsequently dropped to less than one percentage point of the product due to expenditure cuts.²³ A similar trend could be seen in Guatemala, where the deficit of the central government rose sharply during the first half of the decade (to approximately 4% of GDP) and decreased substantially (to less than 2%) during the second half.

In Chile, the consolidated public sector enjoyed a large surplus (close to 5% of GDP) towards the end of the 1970s and at the beginning of the 1980s, owing to the tax reform carried out in the mid-1970s.²⁴ Nevertheless, as happened in other countries of the region, the financial situation entered a crisis period as a result of the combined effect of rising interest payments on the debt lower copper revenues and the growth (by more than 3% of GDP) in the social-security deficit following the reform of the system. Thus, the surplus of the state enterprises notwithstanding (which exceeded 4% of GDP in most of those years), a 4% deficit in the non-financial public sector was created. If the 3% deficit (in GDP terms) in the Central Bank accounts is taken into consideration, the total deficit amounted to 7%. The following years witnessed a stabilization in the deficit of the non-financial public sector, while the deficit of the Central Bank climbed; this was mainly due to the large proportion of financial expenditures that it had to pay out, particularly the assumption of the private debt, as a result of the banking crisis of those years.²⁵ Starting in 1985, the financial situation began to improve; the deficit of the non-financial public sector fell, almost disappearing in 1987 thanks to the phasing out of the primary deficit brought about by restraint in public spending. In turn, despite the decrease in the Central Bank deficit, it still remained quite large (see table 19).

Venezuela's public finances were also severely upset, in spite of the substantial surplus which they had enjoyed at the beginning of the decade, owing to the additional revenues generated by the oil-producing sector—collected through direct taxes and state-enterprise saving. With the drop in oil prices and the large governmental spending commitments—encouraged by the prosperity of previous years—the 1982 and 1983 surpluses were notably smaller. In 1984 and 1985, the rise in revenues once more made it possible to generate ample surpluses, but the drop that took place afterwards even led to heavy deficits from 1988 onwards, compelling the authorities to introduce a harsh stabilization programme (see table 19).

4. The financing of the public sector and the “inflation tax”

The effect of the fiscal deficit on macroeconomic stability was exacerbated by the sudden changes in its financing. In fact, the foreign debt crisis that began in the early 1980s and the resulting loss of foreign financing meant

that, simultaneously and in almost every country of the region, the public sector was deprived of a major credit source. Towards the end of the 1970s, shortly before the crisis, the net transfer of resources from abroad to the public sectors of Latin American countries amounted to 2% of regional GDP, which made it possible not only to pay the interest on the public foreign debt, but also to have enough resources at their disposal to finance primary deficits equivalent to that proportion. Later on, when the direction of transfers reversed, the public sectors of the region began to remit funds abroad that amounted to approximately 2% of GDP, since they stopped receiving resources and the governments had to keep honouring previously contracted foreign debt commitments. During the second half of the decade, net outflows reached peaks of 4% of GDP in Costa Rica (from 1984 to 1988), Chile (1989), Mexico (1985 and 1986), Uruguay (1985) and Venezuela (from 1985 to 1989) (see table 20).

The turnaround in external transfers of public resources was quite impressive in relation to the States' abilities to receive revenues, since, in most countries, it amounted to between 20% and 30% of governmental receipts. It implied that, in this new setting, the public sector would have to begin adjusting its accounts, either through increased revenues, reduced spending, or additional funding –from internal or, in the long run, other foreign sources– for an amount equivalent to one fourth of their revenues. This, as it was already mentioned in the *Economic Survey of Latin America and the Caribbean* of recent years, was a major contributing factor –but by no means the only one– to the negative developments in the regional economy during the past decade (see table 21).

Starting with the so-called foreign debt crisis, the raising of resources in the rest of the globe was often laborious. Many countries, besides the loss of funding from the international commercial banks, were affected by the reduction in external credit from official sources and, in some instances, there even was a net flow abroad. This phenomenon was not widespread, since some States of the region kept receiving enormous amounts of foreign resources. The countries that most profited from this situation were those of Central America and the Caribbean, which received large amounts of credit in very favourable conditions, mostly from the United States, enabling them to finance a relatively higher level of public expenditures than the rest of the region (see table 21).

Owing to the turnaround in net credit transfers and in spite of the strict adjustment programmes put into effect in many countries of the region, most of them were unable to repay their foreign loans when faced with the additional problems posed by the drop in export prices. Shortly after the outbreak of the debt crisis, the governments began interrupting the repayment of their international bank loans, either unilaterally or through negotiations with their creditors. These steps soon proved to be insufficient, since interest payments were extremely high; therefore, the moratorium also

spread to them in the case of debts with other creditors, such as the Paris Club and sometimes even to the interests on loans contracted with multilateral creditors. The State met its interest payments on the foreign debt, in a normal fashion, in only four Latin American countries: Colombia, Chile, Mexico and Uruguay. Meanwhile, the rest defaulted on their debt, although their moratoria differed in duration and scope. Nicaragua interrupted almost all its payments in 1982; this situation remained unchanged throughout the rest of the decade. In Peru's case, the moratorium was also all-encompassing, since it included all creditors and was very protracted. Unpaid interests due amounted to almost 3% of GDP in 1985 and, in 1989, only 15% of the amount due was paid. In Costa Rica, the moratorium spanned the decade from beginning to end, but it promoted agreements that helped to regularize the situation, although only temporarily and partially. In 1982, unpaid interests amounted to almost 8% of GDP, but most of those arrears were written off during the following year. Subsequently, in 1987, it defaulted once again, this time on an amount equal to 5% of GDP. It was not until 1989 that Costa Rica regularized its situation, as a result of the debt-reduction programme fostered by the Brady Plan. Argentina defaulted on its payments during 1983, 1984 and, later, from 1988 onwards; meanwhile, Brazil has been in interest payment arrears since 1987. These events sent shock waves through international circles, given both countries' high level of indebtedness.

Initially, these moratoria averted catastrophic situations, such as a mayor recession or hyperinflation. However, the full dimension of structural problems remained unscathed, so the road to overcoming financial maladjustments was still paved with obstacles. Costa Rica may be considered as an exception, since, in its case, the moratorium enabled it to correct the deficit in the public accounts, to push inflation down and to resume its economic growth in a satisfactory manner.

As the needs of fiscal financing shifted to the domestic scene, new problems emerged. Firstly, it became necessary to service the public foreign debt in foreign currency (the "external transfer"), which meant that it was not only necessary to secure funds to service interest payments, but that those resources also had to be converted into foreign currency. In this new scenario of growing difficulties in financing the fiscal deficit, public and private trade surpluses became a crucial factor in the performance of public finances in the various countries. In point of fact, in those countries whose public sectors are in charge of the main export activities (Bolivia, Chile, Ecuador, Mexico and Venezuela), there is a direct link between the public sector's financing ability and the economy's capability to carry out external transfers. However, there exists a structurally different situation in those countries whose main export sources are privately owned (Argentina, Brazil, Paraguay and Uruguay), since more favourable external conditions do not necessarily lead to a financial improvement: a public deficit can

coexist with a foreign exchange surplus on the private sector's side. Under these conditions, the State must rely on an appropriate device to attract the private sector's foreign exchange, a situation that gives rise to the "domestic transfer" problem. If the cost of this purchase is not passed on to the whole of society, the State will be unable to carry out a domestic transfer of physical resources of equal size as the foreign one, unless it resorts to domestic borrowing or inflationary forms of financing. Therefore, the possibility of carrying out and maintaining a real fiscal adjustment of approximately four percentage points of the product –the average proportion resulting from the turnaround in loan transfers– not only depends on the government's intentions, but also on the degree to which society as a whole and, particularly, the segments that must withstand the additional taxes or the spending cuts will agree to do so.

Very few countries with moderately developed financial markets (Argentina, Brazil, Mexico and, to a lesser extent, Colombia and Chile) had access to real domestic resources, but that led to high real interest rates which became a new destabilization factor in public finances. In turn, the indexing of relative prices, especially the increase in the real exchange rate –in order to generate a sufficiently large foreign trade surplus so as to finance the external transfer– accelerated inflation and added to the burden of foreign interest payments on the budget; meanwhile, the real tax ratio gradually dwindled as a result of runaway inflation. In order to remedy this situation, the adjustment of public service rates was used as a deficit-reduction tool for state enterprises and, on many occasions, to generate surpluses that could be procured by the Treasury.

In these scenarios of repeated exchange rate crises, where fear prevailed as a result of the unreliability of financial remedies and climbing inflation rates, the margin of manoeuvre for the monetary funding of the fiscal deficits narrowed. Attempts were made at selling government or Central Bank securities, but, in view of the reduced amount of funds attracted by these means, a policy of cash holdings was favoured. Both alternatives resulted in an increase in real domestic interest rates, which, aside from its negative repercussions on the economy, was also instrumental in adding to the financial burden of the public sector. Likewise, on account of the fact that the payback periods for the domestic resources being attracted were very short, the financial situation became extremely vulnerable, as was mainly illustrated in Argentina and Brazil. Thus, in those instances when short-term domestic borrowing was massively resorted to, as it happened in Brazil, government bonds gradually became quasi-money that generated an extremely serious monetary problem.

In that difficult position, the regional governments' only remaining hope was Central Bank funding. This meant resorting to money issue, whose negative impact on macroeconomic equilibria could only partially be brought under control by means of monetary instruments, such as higher

marginal cash reserve requirements and liquidity-absorbing sales of securities. Given the precariousness of those situations, the monetary expansion resulting from public financing triggered sharp increases in domestic prices. Therefore, governments were able to fund themselves through the so-called “inflation tax”, which in some countries collected over 10% of GDP. Nevertheless, drawing upon this mechanism, in addition to its negative effects, can only go so far. In point of fact, “inflation tax” receipts depend on two factors: the tax base and the tax rate. The tax base is, in this case, the monetary base, that is, the central bank’s non-interest-bearing demand deposits. The tax rate is, in turn, the inflation rate. In view of the fact that the inflation rate drives real wages down, it is easy to foresee that “inflation tax” revenues will rapidly reach an unsurpassable point as prices rise. This is made worse by the introduction of interest-bearing currency liabilities (interest payments on Central Bank cash reserves), which further encumbers the monetary authority’s task of attracting this type of resources.

In many countries, “inflation tax” receipts were quite substantial throughout the 1980s. The highest level was attained in Peru in 1988, at 11% of GDP, which subsequently dropped sharply as money demand plummeted due to runaway inflation. These revenues were also significant in Argentina (approximately 8% in 1984 and 1989), Bolivia (9% in 1985), Brazil (around 4% between 1987 and 1989), Ecuador (5% in 1988) and Mexico (6% in 1984). In Uruguay, “inflation tax” revenues were more modest and they did not exceed 3% because the country’s tradition of inflation encouraged the dollarization process, which brought about a definite shrinkage of the monetary base. Lastly, in Colombia, Costa Rica and Chile, the “inflation tax” has generally recorded low, albeit stable levels (approximately 1% of GDP), since price increases have been much more moderate in those countries than in the rest of the region; this implies that the Treasury has had this type of funding available, to the extent that it has avoided the inflation outbreaks (see table 23).

It can be concluded, from the aforementioned data, that there have been two widely differing patterns in so far as the use of the “inflation tax” as part of fiscal policy is concerned. On the one hand, those countries with high and unstable inflation rates have been able to collect large sums from this tax, but in a setting of widespread financial weakness and large macroeconomic imbalances. On the other hand, countries with less inflation-ridden economies have been able to rely on—among their financing sources—revenues that are modest, but foreseeable and stable, without noticeably upsetting the aggregate macroeconomic performance.

Moreover, the “inflation tax” originally collected by the Central Bank has been a resource with which to finance the hidden quasi-fiscal deficits in the Treasury’s accounts. As a matter of fact, the subsidies implicit in interest rates and in preferential-status exchange rates have usually been offset by a based revenue that has not been entered on public accounts.

Notes

¹ UNDP/ECLAC Project RLA 87/003. See annex for a list of the surveys prepared by the Project.

² Aggregate spending is defined as the amount of overall recurrent spending by the government plus the capital spending of the non-financial public sector, which includes both overall investment by the government and that of public enterprises.

³ In this case, the data in table 2 refer only to the "real" component of nominal interest, thus excluding the indexation component of the principal.

⁴ Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Peru, Uruguay and Venezuela.

⁵ See ECLAC, "The Transfer of Resources and Inflation", *Economic Survey of Latin America and the Caribbean, 1988* (LC/G.1577-P), chap. X, Santiago, Chile, November 1989. United Nations publication, Sales No. E.89.II.G.2.

⁶ In the absence of possibilities of attracting capital from the private sector, the governments' only domestic funding source has been the banking authority's financing help, spawning a vigorous expansion of the monetary base. Those loans generally do not accrue interest because it is understood that they are only a way for the government to appropriate the inflation tax.

⁷ This can also apply to interests in foreign currencies, in view of the fact that domestic inflation has had a similar effect on foreign loans, although to a much lesser extent than on the domestic debt.

⁸ Strictly speaking, it is the first component that should be entered—as is done in our database in the case of Brazil—in the government's current account, while the monetary updating component is really a disbursement from the capital account, due to the fact that it is a depreciation of the real value of the original debt.

⁹ Total expenditures, excluding interest payments, grew in real terms only in 1986 in Costa Rica (out of the following default periods with the commercial banks: 1982, 1984, and 1986-1989); in Peru, also in 1986 (during the 1984-1989 default period); and, in Bolivia, only in 1984 and 1987.

¹⁰ The series in table 7, which were compiled especially for this study, were obtained by deflating aggregate governmental consumption expenditures at current prices—like the other items in public accounts—with the GDP deflator. Thus, those series do not progress in the same manner as the government consumption series included in national accounts; these are generally obtained from quantum indexes that represent either government employees or the population that presumably receives government services.

¹¹ It should be noted, however, that this level was 15% lower than the 1977-1979 average, and less than half of the maximum attained in 1971-1972.

¹² Non-financial public-sector aggregate current revenues are defined here as the sum of government current revenue plus the current savings of State enterprises. In turn, these savings belong to the operational balance (current revenues minus the operational expenditures of those enterprises), not including interest payments in these costs.

¹³ This heading includes a series of revenues collected by the central government through user fees and the sale of goods and services by institutions associated with the central administration or local governments. Nevertheless, some of the user fees are more similar to taxes than to the sale of services and thus take on an almost tax-like character. The heading of non-tax revenues also covers the following: partial transfers of earned surpluses or of public-enterprise profits; and interest earned on the sale of securities by government institutions on the financial markets.

¹⁴ Savings by government enterprises are estimated before the payment of interest, that is, subtracting operational costs and taxes paid from operational revenues. Therefore, the amount of savings greatly depends on what mechanisms are used by the government to

attract revenues from state enterprises. In some countries certain taxes absorb a sizeable amount of the surplus from state enterprises; in others, taxes are low, thus enabling enterprises to increase their savings, which are subsequently transferred to the government as profit remittances. Likewise, the approach of calculating savings prior to the payment of interest is consistent with including the full amount of interest under expenditures in order to determine the financing requirements of the public sector.

¹⁵ In some countries, these extra revenues were obtained through higher rates in special purpose taxes on the domestic consumption of hydrocarbons, which had the same effect but was not reflected in the volume of state enterprise savings.

¹⁶ During periods of accelerating inflation, however, and as the maturities on Treasury bonds sold on the market get shorter, nominal interest payments are almost immediately payable on demand; therefore, they are usually financed through new bond issues designed to compound almost the full amount of interests due.

¹⁷ See, Bernardino H. M. Queiroz and Márcia Nabao (consultants): "O déficit quase-fiscal brasileiro na década de 80"; Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, document submitted to the Second ECLAC/UNDP Regional Seminar on Fiscal Policy, Santiago, Chile, 20-22 August 1990.

¹⁸ The interest due on the public debt is recorded in the sequences used here. Therefore, if the State falls into arrears, this is reflected in an appropriate amount of non-voluntary funding, but it does not affect the amount of the nominal deficit.

¹⁹ Concerning the quasi-fiscal deficit of the central bank (Banco de México), it took on substantial proportions (over 3% of GDP) in 1986-1987. (See, Carlos M. Urzúa (consultant), *El déficit del sector público y la política fiscal en México, 1980-1989* (LC/L.622), Política Fiscal series, No. 10, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, June 1991.)

²⁰ Luis Giorgio and Ricardo Rivera (consultants), "Déficit cuasifiscal: el caso argentino (1977-1989)", Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, document submitted to the Second ECLAC/UNDP Regional Seminar on Fiscal Policy, Santiago, Chile, 20-22 August 1990.

²¹ In Uruguay there are no major differences between the nominal deficit and the operational deficit, since the public debt in local currency is quite minimal.

²² See, G. Abril, S. Urbano, and R. Urriola (consultants), *Determinante del déficit y política fiscal en el Ecuador (1979-1987)* (LC/L.624), Política Fiscal series, No. 11, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, June 1991.

²³ The deficit of the state enterprises, which amounted to 3% of GDP in 1984, has fluctuated between zero and 2% since then.

²⁴ See Felipe Larraín, "Public sector behavior in a highly indebted country: The contrasting Chilean experience, 1970-1985", *The Public Sector and the Latin American Crisis*, Felipe Larraín and M. Selowsky (editors), San Francisco, California ICS Press, 1990, and Manuel Marfán, "La política fiscal macroeconómica", *Políticas macroeconómicas: una perspectiva latinoamericana*, René Cortázar (editor), Buenos Aires, Grupo Editor Latinoamericano (GEL), 1988.

²⁵ See Osvaldo Larrañaga (consultant), *El déficit del sector público y la política fiscal en Chile, 1978-1987* (LC/L.563), Política Fiscal series, No. 4, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, July 1990.

STATISTICAL ANNEX

Table 1
**LATIN AMERICA: TOTAL EXPENDITURE OF THE NON-FINANCIAL
 PUBLIC SECTOR, IN REAL TERMS^{a b}**

Country	1980	1981	1982	1983	1984	1985	1986	1987	1988 ^c	1989 ^d
Indexes (1980 = 100)										
Argentina	100.0	105.4	95.2	97.6	91.7	86.5	89.0	93.1	90.8	81.6
Bolivia	100.0	91.9	94.7	85.4	108.1	86.5	78.8	79.5	...	...
Brazil	100.0	101.6	104.7	100.8	101.4	116.6	133.8	143.6	139.7	154.2
Colombia	100.0	102.4	109.3	119.5	123.7	124.0	125.9	134.9	139.9	143.3
Costa Rica	100.0	75.6	75.2	83.4	82.4	79.9	90.2	88.8	92.0	105.2
Chile	100.0	115.8	125.2	111.9	123.6	127.3	131.3	133.3	131.1	145.1
Ecuador	100.0	105.6	101.2	95.1	91.7	105.6	108.5	90.5	81.9	80.3
Guatemala	100.0	113.5	89.2	74.9	71.5	62.7	71.0	80.8	90.1	98.2
Mexico	100.0	129.4	149.1	128.6	126.2	126.8	142.1	147.9	128.7	123.4
Paraguay	100.0	123.1	132.6	141.9	146.7	129.5	113.8	126.5	137.4	...
Peru	100.0	102.7	110.0	103.6	101.1	101.5	94.4	87.8	73.9	40.1
Uruguay	100.0	115.5	129.5	99.9	96.1	91.9	102.0	108.7	115.1	114.3
Venezuela	100.0	97.8	107.2	91.6	91.9	72.7	84.3	80.4	83.6	72.8
Latin America	100.0	109.5	115.8	107.2	106.5	108.7	120.0	124.8	118.3	118.7
Percentage variation										
Argentina		5.4	-9.7	2.4	-6.0	-5.6	2.9	4.6	-2.4	-10.2
Bolivia		-8.1	3.1	-9.8	26.5	-20.0	-8.8	0.9	...	...
Brazil		1.6	3.1	-3.7	0.6	15.0	14.8	7.3	-2.7	10.4
Colombia		2.4	6.7	9.3	3.6	0.2	1.5	7.1	3.7	2.4
Costa Rica		-24.4	-0.5	10.9	-1.3	-2.9	12.8	-1.5	3.6	14.4
Chile		15.8	8.1	-10.6	10.5	3.0	3.2	1.5	-1.6	10.7
Ecuador		5.6	-4.2	-6.0	-3.7	15.2	2.8	-16.6	-9.5	-2.0
Guatemala		13.5	-21.4	-16.1	-4.5	-12.3	13.2	13.9	11.5	9.0
Mexico		29.4	15.3	-13.8	-1.8	0.5	12.0	4.1	-13.0	-4.2
Paraguay		23.1	7.7	7.0	3.4	-11.7	-12.2	11.2	8.6	...
Peru		2.7	7.2	-5.8	-2.4	0.4	-6.9	-7.0	-15.8	-45.8
Uruguay		15.5	12.0	-22.8	-3.8	-4.4	11.0	6.5	6.0	-0.7
Venezuela		-2.2	9.6	-14.5	0.3	-20.9	15.9	-4.6	4.0	-13.0
Latin America		9.5	5.8	-7.5	-0.6	2.1	10.3	4.0	-5.2	0.4

Source: ECLAC, on the basis of official figures and figures provided by the ECLAC/UNDP Regional Project on Fiscal Policies.

^a Including general government expenditure and capital and interest expenditure of non-financial public enterprises.

^b Calculated on the basis of figures in constant 1980 dollars.

^c According to ECLAC estimates for the following countries: Chile, Costa Rica, Ecuador, Guatemala, Uruguay and Venezuela.

^d According to ECLAC estimates for the following countries: Brazil, Chile, Costa Rica, Ecuador, Guatemala, Paraguay, Uruguay and Venezuela.

Table 2
LATIN AMERICA: TOTAL PUBLIC EXPENDITURE BY TYPE^a
(Percentages of gross domestic product)

Country and item	1977-1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Argentina												
Total expenditure	34.5	35.7	40.2	39.8	39.5	36.5	35.4	34.4	35.4	34.5	32.7	31.0
Current expenditure	22.4	26.2	30.6	31.3	29.8	28.7	28.3	27.0	27.2	25.9	26.2	25.7
Consumption expenditure	10.9	13.3	12.6	11.1	13.5	13.4	13.0	12.7	13.1	13.3	12.8	11.7
Interest payments	2.7	3.4	7.4	10.4	6.0	5.0	5.5	3.9	3.6	2.8	5.3	4.1
Transfers and social security benefits	8.8	9.5	10.6	9.8	10.3	10.3	9.9	10.4	10.4	9.8	8.1	9.9
Capital expenditure	12.1	9.5	9.6	8.6	9.7	7.8	7.1	7.5	8.2	8.6	6.5	5.3
Real investment	11.1	9.1	8.5	8.1	9.0	7.2	6.6	7.1	7.6	8.0	5.9	4.4
Other capital expenditure	1.0	0.5	1.2	0.5	0.7	0.6	0.5	0.4	0.6	...	...	...
Bolivia												
Total expenditure	...	29.8	27.1	29.2	27.6	35.1	28.4	26.5	26.1	...	...	...
Current expenditure	...	22.5	19.7	15.8	16.4	20.6	21.2	20.6	19.5	...	...	...
Consumption	...	16.3	13.6	10.3	9.9	14.1	11.8	12.3	12.8	...	...	...
Interest payments	...	2.6	2.5	1.2	1.9	2.8	1.6	1.8	2.0	...	...	...
Transfers and social security benefits	...	3.6	3.6	4.2	4.6	3.7	7.8	6.5	4.7	...	...	...
Capital expenditure	...	7.3	6.2	5.9	4.5	4.8	4.6	5.9	6.6	...	...	...
Real investment	...	7.3	6.1	5.9	3.6	4.2	4.3	5.9	6.5	...	...	...
Other capital expenditure	...	-0.0	0.1	0.0	0.8	0.6	0.4	0.0	0.1	...	...	...
Unidentified expenditure	...	0.0	1.3	7.5	6.7	9.7	2.5	0.0	0.0	...	...	...
Brazil												
Total expenditure	...	27.5	29.1	30.6	30.3	29.0	30.9	33.3	34.5	33.4	...	...
Current expenditure	...	18.7	19.2	22.4	23.6	22.7	23.9	24.0	25.9	25.6	...	...
Consumption expenditure ^b	...	9.2	9.4	10.1	9.6	8.3	9.9	10.7	12.2	12.6	14.3	...
Interest payments ^c	...	2.0	2.7	4.2	5.4	6.3	6.3	4.4	6.0	6.3	...	...
Social security ^d	...	5.6	5.3	6.0	5.5	4.9	4.6	4.7	4.5	4.2	...	...
Other transfers	...	2.0	1.9	2.1	3.1	3.2	3.1	4.3	3.3	2.4	...	...
Capital expenditure	...	8.8	9.9	8.3	6.8	6.3	7.1	9.3	8.6	7.9	...	...
Real investment	...	7.7	8.9	7.7	6.1	5.7	6.2	7.0	7.7	7.0	...	...
Other capital expenditure	...	1.1	1.0	0.6	0.6	0.6	0.9	2.4	0.8	0.9	...	...
Colombia												
Total expenditure	21.1	23.0	23.0	24.3	26.1	26.0	25.1	23.9	24.2	24.1	23.8	...
Current expenditure	14.4	15.9	14.7	15.6	16.8	16.4	16.4	16.0	17.0	16.6	16.7	...
Consumption	7.6	9.1	10.1	10.3	10.6	9.2	9.5	9.2	8.8	9.0	9.7	...
Interest payments	1.4	1.7	1.4	1.7	2.0	2.4	3.0	3.1	4.4	4.2	3.7	...
Current transfers	5.3	5.1	3.2	3.6	4.1	4.8	3.9	3.7	3.7	3.5	3.4	...
Capital expenditure	6.7	7.1	8.4	8.7	9.3	9.6	8.7	7.9	7.2	7.5	7.1	...
Real investment	6.3	6.0	7.0	7.2	8.4	8.8	7.8	6.7	6.0	6.2	6.5	...
Other capital expenditure	0.5	1.1	1.3	1.5	0.9	0.8	1.0	1.2	1.2	1.2	0.6	...

Table 2 (continued 1)

Country and item	1977- 1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Costa Rica												
Total expenditure	38.8	41.8	32.4	34.8	37.6	34.4	33.1	35.5	33.5	...	...	...
Current expenditure	26.3	28.9	21.7	23.9	26.2	24.5	23.6	23.1	22.9	...	...	...
Consumption	17.3	18.5	16.0	14.3	15.6	15.1	14.9	14.5	14.1	...	...	...
Interest payments	5.0	6.2	2.8	6.6	6.8	5.9	6.1	6.2	6.3	...	...	...
Transfers	4.0	4.2	2.9	2.9	3.8	3.5	2.6	2.4	2.5	...	...	...
Capital expenditure	12.5	13.0	10.7	10.9	11.4	9.9	9.5	12.4	10.6	...	...	...
Real investment	6.5	8.1	8.2	6.6	6.1	6.3	6.3	5.9	4.6	...	...	...
Other capital expenditure	6.0	4.9	2.5	4.3	5.3	3.6	3.3	6.4	6.0	...	...	...
Chile												
Total expenditure	33.4	31.8	34.6	42.3	37.4	39.2	39.2	38.0	36.5	...	...	...
Current expenditure	25.7	24.5	26.6	31.9	30.5	30.7	29.5	27.3	26.2	23.4	...	...
Consumption	13.4	11.9	10.7	11.1	9.9	9.8	9.1	8.3	8.1	7.1	...	...
Interest payments	1.4	0.8	0.4	0.6	1.8	2.4	3.2	2.4	2.9	3.1	...	...
Social security	6.9	7.1	8.2	10.8	9.7	10.1	9.0	8.7	8.0	7.2	...	...
Transfers to the private sector	4.0	4.7	7.3	9.5	9.2	8.4	8.3	7.9	7.2	6.0	...	...
Capital expenditure	7.6	7.3	7.9	10.4	6.9	8.5	9.7	10.7	10.3	...	...	...
Real investment	5.9	5.2	5.1	4.7	4.8	6.0	7.1	10.7	10.3	...	...	...
Other capital expenditure	1.7	2.0	2.9	5.7	2.1	2.5	2.6	...	...	...	...	...
Ecuador												
Total expenditure	28.5	35.4	36.9	34.8	32.2	29.2	32.4	32.3	29.4	...	...	...
Current expenditure	15.3	20.3	20.8	22.2	19.5	18.7	19.9	20.4	19.0	...	...	...
Consumption expenditure	12.5	14.0	14.0	13.7	12.2	12.0	11.2	11.9	11.9	...	...	...
Interest payments	2.8	3.1	3.8	5.5	4.7	4.2	4.7	4.5	3.9	...	...	...
Transfers to the private sector	2.4	3.2	3.1	3.0	2.6	2.5	4.0	4.1	3.2	...	...	...
Capital expenditure	13.2	15.1	16.0	12.6	12.6	10.5	12.5	11.9	10.5	...	...	...
Real investment	9.0	9.3	10.4	9.5	7.8	6.3	6.5	8.8	8.7	...	...	...
Other capital expenditure	4.2	5.8	5.6	3.1	4.9	4.2	6.0	3.0	1.8	...	...	...
Guatemala ^c												
Total expenditure	11.8	14.2	16.0	13.1	11.5	10.9	9.6	10.8	11.8	...	...	...
Current expenditure	7.6	8.6	8.8	8.1	8.0	8.1	7.5	8.9	9.7	...	...	...
Consumption expenditure	5.7	6.4	6.4	5.8	5.6	5.7	5.3	5.5	5.8	...	...	...
Interest payments	0.6	0.6	0.7	0.9	0.9	0.9	0.7	1.3	1.4	...	...	...
Transfers	1.3	1.7	1.8	1.5	1.5	1.5	1.5	2.0	2.5	...	...	...
Capital expenditure	4.2	5.6	7.2	5.0	3.5	2.8	2.1	1.9	2.1	...	...	...
Real investment	3.6	4.8	6.7	4.7	3.3	2.7	2.0	1.8	1.8	...	...	...
Other capital expenditure	0.6	0.7	0.5	0.3	0.2	0.1	0.1	0.0	0.3	...	...	...

Table 2 (continued 2)

Country and item	1977- 1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Mexico												
Total expenditure	...	28.4	33.8	39.2	35.3	33.4	32.7	38.1	39.0	33.5	31.1	...
Current expenditure	...	20.5	24.7	31.4	30.0	28.4	28.1	33.5	34.7	29.7	27.8	...
Consumption ^b	...	10.0	10.8	10.5	8.8	9.2	9.2	9.1	8.5	8.4	8.7	...
Interest payments on debt	...	3.5	5.0	8.2	12.4	11.9	11.5	16.6	19.7	16.7	13.0	...
Social security transfers	...	0.6	0.6	0.6	0.5	0.5	0.7	0.7	0.6	0.6	0.8	...
Other transfers	...	5.0	5.8	4.3	4.1	2.8	3.0	3.1	3.1	2.3	2.4	...
Other expenditure ^f	...	1.4	2.5	7.8	4.1	3.9	3.8	4.1	2.7	1.7	3.0	...
Capital expenditure	...											...
Real investment	...	7.9	9.1	7.8	5.3	5.0	4.7	4.6	4.3	3.8	3.3	...
Paraguay												
Total expenditure	...	13.3	15.1	16.3	18.0	18.0	15.3	13.5	14.4	14.6	...	...
Current expenditure	...	8.2	8.9	10.8	11.1	9.6	8.8	8.3	8.6	7.9	...	...
Consumption	...	6.3	7.0	7.2	7.3	5.5	5.6	5.4	5.1	4.6	...	...
Interest payments on debt	...	0.5	0.5	1.0	0.9	1.0	0.9	0.9	1.5	1.4	...	...
Transfers	...	1.3	1.4	2.7	2.9	3.1	2.4	2.0	2.0	1.9	...	...
Capital expenditure	...	5.1	6.2	5.5	6.9	8.4	6.5	5.2	5.8	6.7	...	...
Real investment	...	4.5	4.3	5.0	6.5	7.4	5.9	4.5	4.8	6.1	...	...
Other capital expenditure	...	0.7	1.8	0.5	0.5	1.0	0.6	0.7	1.0	0.6	...	...
Peru												
Total expenditure	26.3	31.0	30.5	32.6	34.9	32.5	31.9	27.3	23.5	21.6	13.2	...
Current expenditure	20.8	24.0	22.6	23.9	26.2	24.4	25.5	21.8	19.1	17.6	10.6	...
Consumption	11.4	11.7	11.9	13.3	13.2	9.7	9.6	9.5	9.3	7.5	5.3	...
Interest payments and commissions	4.5	4.7	4.8	4.5	5.9	5.9	5.8	3.3	2.6	3.8	1.7	...
Transfers	4.9	7.6	5.9	6.1	7.1	8.8	10.1	9.0	7.2	6.4	3.5	...
Capital expenditure	5.6	7.0	7.9	8.7	8.7	8.1	6.4	5.5	4.4	4.0	2.7	...
Real investment	5.1	6.0	7.3	8.5	8.6	7.8	6.3	5.1	4.0	3.4	2.5	...
Other capital expenditure	0.5	1.0	0.6	0.2	0.1	0.3	0.1	0.4	0.4	0.6	0.2	...
Uruguay												
Total expenditure	25.3	25.6	29.3	36.4	30.1	29.4	27.7	28.4	28.0	...	...	...
Current expenditure	20.8	21.9	24.9	29.6	26.2	25.2	24.4	24.9	24.7	...	...	...
Consumption	11.5	12.0	13.1	13.5	12.3	11.6	11.1	11.1	10.2	...	...	...
Interest payments on debt	0.8	0.5	0.5	1.3	2.4	4.0	3.8	3.1	2.5	...	...	...
Transfers to the private sector	8.5	9.4	11.3	14.9	11.5	9.6	9.5	10.6	12.0	...	...	...
Capital expenditure	4.5	3.7	4.4	6.7	3.8	4.2	3.3	3.5	3.3	...	...	...
Real investment	4.1	3.8	4.3	5.4	4.4	3.7	3.2	3.0	3.5	...	...	...
Other capital expenditure	0.4	0.1	0.1	0.0	0.0	0.8	0.5	0.0	0.0	...	...	...

Table 2 (concluded)

Country and item	1977-1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Venezuela												
Total expenditure	...	36.9	36.7	40.8	36.9	37.2	29.5	32.1	29.5	29.0	...	...
Current expenditure	...	20.5	22.0	24.3	23.0	25.7	20.8	20.1	19.0	16.9	...	...
Consumption	...	16.2	17.3	19.1	15.3	13.2	10.9	11.7	10.2	10.9	...	...
Interest payments and financial expenses	...	3.5	3.8	4.6	4.0	5.4	4.2	3.7	3.1	3.8	...	...
Social security benefits	...	0.3	0.4	0.2	0.3	0.4	0.4	0.4	0.4	0.4	...	...
Transfers to the private sector	...	0.5	0.5	0.4	3.5	6.7	5.4	4.3	5.4	1.8	...	...
Capital expenditure	...	16.4	14.8	16.5	13.9	11.5	8.7	12.0	10.5	12.1	...	...
Real investment	...	13.8	12.6	12.7	13.2	10.3	7.9	9.5	8.5	11.9	...	...
Other capital expenditure	...	2.6	2.2	3.8	0.6	1.2	0.8	2.5	2.0	0.2	...	...

Source: **Argentina:** 1977-1987, Angel Peña (consultant), *El déficit del sector público y la política fiscal en Argentina, 1978-1987* (LC/L.625), Política fiscal series, No. 12, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, June 1991; 1988-1990, ECLAC, on the basis of official figures. **Bolivia:** Unit for Economic Policy Analysis (UDAPE) (consultant), *Determinantes del déficit del sector público en Bolivia (período 1980-1987)* (LC/L.582 and LC/L.582/Add.1), Política fiscal series, No. 9, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, August 1990. **Brazil:** Fabio Barbosa and others (consultants), *O déficit do setor público e a política fiscal no Brasil, 1980-1988* (LC/L.636), Política fiscal series, No. 14, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, September 1991. **Colombia:** Eduardo Sarmiento (consultant), *La política fiscal en Colombia* (LC/L.642), Política fiscal series, No. 16, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, October 1991. **Chile:** Osvaldo Larrañaga (consultant), *El déficit del sector público y la política fiscal en Chile, 1978-1987* (LC/L.563), Política fiscal series, No. 4, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, July 1990; and Osvaldo Larrañaga and Jorge Marshall (consultants), *Ajuste macroeconómico y finanzas públicas. Chile: 1982-1988* (LC/L.566), Política fiscal series, No. 6, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, July 1990. **Ecuador:** G. Abril, S. Urbano and R. Urriola (consultants), *Determinantes del déficit y política fiscal en el Ecuador 1979-1987* (LC/L.624 and LC/L.624/Add.1), Política fiscal series, No. 11, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, June 1991. **Guatemala:** ECLAC, on the basis of official figures. **Mexico:** Carlos Urzúa (consultant), *El déficit del sector público y la política fiscal en México, 1980-1989* (LC/L.622), Política fiscal series, No. 10, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, June 1991. **Paraguay:** ECLAC, based on official figures. **Peru:** ECLAC, based on official figures. **Uruguay:** Jorge E. Roldós (consultant), *El déficit del sector público y la política fiscal en Uruguay (período 1978-1987)* (LC/L.579), Política fiscal series, No. 8, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, August 1990. **Venezuela:** Efraín J. Velázquez (consultant), *El déficit público y la política fiscal en Venezuela 1980-1990* (LC/L.635), Política fiscal series, No. 13, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, July 1991.

^a Including general government expenditure and investment by non-financial public enterprises. ^b Information from national accounts. ^c Excluding the inflation component. ^d Including medical care. ^e Central Government. ^f Including capital expenditure, using federal Government resources, of decentralized agencies and associated entities.

Table 3
LATIN AMERICA: BREAKDOWN OF TOTAL PUBLIC
EXPENDITURE BY TYPE ^a
(Percentages of public expenditure)

Country and item	1977-1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Argentina												
Current expenditure	64.9	73.4	76.0	78.5	75.5	78.6	80.0	78.3	76.9	73.9	78.6	81.7
Consumption expenditure	31.6	37.3	31.2	27.9	34.3	36.8	36.6	36.9	37.1	40.4	42.1	40.4
Interest payments	7.9	9.6	18.4	26.0	15.1	13.6	15.4	11.2	10.2	8.6	17.6	14.1
Transfers and social security benefits	25.4	26.5	26.4	24.5	26.1	28.1	28.0	30.2	29.5	29.7	26.5	34.1
Capital expenditure	35.1	26.6	24.0	21.5	24.5	21.4	20.0	21.7	23.1	26.1	21.4	18.3
Bolivia												
Current expenditure	...	75.6	72.7	54.0	59.5	58.7	74.9	77.8	74.7	...	...	...
Consumption	...	54.6	50.2	35.4	36.0	40.0	41.6	46.3	49.1	...	...	...
Interest payments	...	8.7	9.2	4.2	6.9	8.1	5.6	6.8	7.6	...	...	...
Transfers and social security benefits	...	12.2	13.3	14.4	16.5	10.6	27.7	24.7	18.0	...	...	...
Capital expenditure	...	24.4	22.7	20.3	16.2	13.7	16.3	22.2	25.3	...	...	...
Unidentified expenditure	...	0.0	4.6	25.7	24.3	27.6	8.8	0.0	0.0	...	...	...
Brazil												
Current expenditure	...	68.1	66.0	73.0	77.7	78.3	77.1	72.1	75.2	76.4	...	...
Consumption expenditure ^b	...	33.5	32.2	33.0	31.8	28.6	31.9	32.0	35.3	37.7	...	...
Interest payments ^c	...	7.1	9.2	13.6	17.7	21.8	20.3	13.1	17.2	18.9	...	...
Social security ^d	...	20.4	18.2	19.5	18.0	16.7	14.8	14.2	13.1	12.5	...	...
Other transfers	...	7.1	6.4	7.0	10.2	11.2	10.1	12.8	9.6	7.3	...	...
Capital expenditure	...	31.9	34.0	27.0	22.3	21.7	22.9	27.9	24.8	23.6	...	...
Chile												
Current expenditure	77.2	77.1	77.0	75.5	81.7	78.4	75.3	71.8	71.8	...	...	...
Consumption	40.2	37.5	31.0	26.3	26.5	25.1	23.1	21.8	22.2	...	...	...
Interest payments	4.2	2.6	1.2	1.3	4.8	6.1	8.2	6.3	7.9	...	...	...
Transfers and social security benefits	32.8	37.0	44.8	47.8	50.5	47.2	44.0	43.7	41.7	...	...	...
Capital expenditure	22.8	22.9	23.0	24.5	18.3	21.6	24.7	28.2	28.2	...	...	...
Colombia												
Current expenditure	68.3	69.1	63.7	64.2	64.3	63.1	65.2	67.0	70.2	69.0	70.2	...
Consumption	36.1	39.7	44.0	42.3	40.7	35.2	37.8	38.6	36.5	37.2	40.7	...
Interest payments	6.8	7.3	6.0	6.9	7.8	9.2	12.0	13.0	18.3	17.3	15.4	...
Transfers and social security benefits	25.4	22.2	13.7	15.0	15.8	18.6	15.4	15.3	15.3	14.6	14.2	...
Capital expenditure	31.7	30.9	36.3	35.8	35.7	36.9	34.8	33.0	29.8	31.0	29.8	...

Table 3 (continued 1)

Country and item	1977-1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Costa Rica												
Current expenditure	67.9	69.0	66.9	68.6	69.7	71.3	71.3	65.1	68.3	...	...	...
Consumption expenditure	44.7	44.2	49.3	41.3	41.5	44.0	45.1	40.9	42.1	...	...	...
Interest payments	12.9	14.8	8.5	19.0	18.1	17.0	18.3	17.5	18.8	...	...	...
Transfers and social security benefits	10.3	10.0	9.1	8.4	10.1	10.3	8.0	6.7	7.4	...	...	...
Capital expenditure	32.1	31.0	33.1	31.4	30.3	28.7	28.7	34.9	31.7	...	...	...
Ecuador												
Current expenditure	57.4	57.3	56.5	63.9	60.7	64.1	61.5	63.3	64.5	...	...	...
Consumption expenditure	40.4	39.6	37.9	39.3	37.8	41.0	34.5	36.8	40.4	...	...	...
Interest payments	9.1	8.7	10.2	15.8	14.7	14.5	14.6	13.8	13.2	...	...	...
Transfers and social security benefits	7.8	8.9	8.4	8.7	8.1	8.5	12.4	12.6	10.9	...	...	...
Capital expenditure	42.6	42.7	43.5	36.1	39.3	35.9	38.5	36.7	35.5	...	...	...
Guatemala^c												
Current expenditure	64.5	60.7	55.0	62.2	69.5	74.4	78.4	82.5	81.9	...	...	...
Consumption expenditure	48.6	44.9	39.7	44.1	48.8	52.8	55.3	51.4	48.7	...	...	...
Interest payments	5.0	4.0	4.1	6.5	7.6	8.0	7.2	12.2	11.7	...	...	...
Transfers	11.0	11.8	11.2	11.5	13.1	13.6	15.9	18.9	21.5	...	...	...
Capital expenditure	35.5	39.3	45.0	37.8	30.5	25.6	21.6	17.5	18.1	...	...	...
Mexico												
Current expenditure	...	72.0	73.0	80.1	84.9	84.9	85.8	87.8	89.0	88.7	89.5	...
Consumption ^b	...	35.3	31.9	26.7	24.9	27.6	28.2	23.8	21.9	25.1	28.0	...
Interest on debt	...	12.4	14.7	21.0	35.1	35.6	35.1	43.4	50.6	49.9	41.9	...
Social security transfers	...	2.0	1.8	1.6	1.5	1.6	2.0	1.9	1.6	1.8	2.5	...
Other transfers	...	17.4	17.2	11.1	11.6	8.4	9.0	8.0	8.0	6.9	7.6	...
Other expenditure ^f	...	4.9	7.4	19.8	11.7	11.6	11.5	10.8	6.9	5.1	9.5	...
Capital expenditure	...	28.0	27.0	19.9	15.1	15.1	14.2	12.2	11.0	11.3	10.5	...
Paraguay												
Current expenditure	...	61.4	59.2	66.3	61.5	53.4	57.5	61.7	59.6	53.9	...	...
Consumption expenditure	...	47.3	46.3	43.8	40.7	30.6	36.4	39.7	35.6	31.7	...	...
Interest payments	...	4.0	3.5	6.0	5.0	5.5	5.8	7.0	10.3	9.6	...	...
Transfers	...	10.0	9.3	16.4	15.8	17.3	15.3	15.0	13.6	12.7	...	...
Capital expenditure	...	38.6	40.8	33.7	38.5	46.6	42.5	38.3	40.4	46.1	...	...
Peru												
Current expenditure	78.9	77.4	74.1	73.3	75.1	75.1	79.9	79.9	81.3	81.7	79.8	...
Consumption expenditure	43.2	37.7	39.0	40.8	37.8	29.8	30.1	34.8	39.6	34.6	39.9	...
Interest payments	17.2	15.2	15.7	13.8	16.9	18.2	18.2	12.1	11.1	17.6	13.2	...
Transfers	18.5	24.5	19.3	18.7	20.3	27.1	31.7	33.0	30.6	29.5	26.7	...
Capital expenditure	21.1	22.6	25.9	26.7	24.9	24.9	20.1	20.1	18.7	18.3	20.2	...

Table 3 (concluded)

Country and item	1977-1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Uruguay												
Current expenditure	82.3	85.6	85.0	81.5	87.3	85.7	88.2	87.7	88.2	...	...	...
Consumption expenditure	45.3	47.0	44.8	37.1	41.0	39.6	40.2	39.2	36.4	...	...	...
Interest payments	3.3	2.0	1.5	3.4	7.9	13.5	13.7	11.0	8.9	...	...	...
Transfers and social security benefits	33.6	36.7	38.7	41.0	38.4	32.6	34.2	37.5	42.9	...	...	...
Capital expenditure	17.7	14.4	15.0	18.5	12.7	14.3	11.8	12.3	11.8	...	...	...
Venezuela												
Current expenditure	...	55.6	59.8	59.5	62.4	69.1	70.6	62.7	64.4	58.3	...	...
Consumption expenditure	...	44.0	47.0	46.7	41.5	35.6	36.9	36.4	34.5	37.8	...	...
Interest payments	...	9.5	10.4	11.2	10.8	14.4	14.3	11.6	10.4	13.0	...	...
Social security ^c	...	0.7	1.0	0.6	0.8	1.1	1.2	1.2	1.3	1.3	...	...
Other transfers	...	1.4	1.4	1.0	9.4	18.0	18.2	13.5	18.2	6.3	...	...
Capital expenditure	...	44.4	40.2	40.5	37.6	30.9	29.4	37.3	35.6	41.7	...	...

Source: ECLAC, on the basis of official figures and figures provided by the ECLAC/UNDP Regional Project on Fiscal Policies.

^a Including general government expenditures and investment by non-financial public enterprises. ^b Information from national accounts. ^c Excluding the inflation component. ^d Including medical care. ^e Central Government. ^f Including capital expenditures, using federal Government resources, of decentralized agencies and associated entities.

Table 4
LATIN AMERICA: RATIO OF INTEREST ON THE PUBLIC DEBT
TO CURRENT PUBLIC-SECTOR INCOME
(Percentages of current income)

Country	1977- 1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Argentina	10.3	12.6	28.5	45.6	25.9	21.5	19.5	13.7	13.6	12.1	22.3
Bolivia	...	16.9	19.0	28.2	48.1	44.8	45.5	29.5	26.7	...	...
Brazil ^a	...	8.1	11.2	17.7	23.0	27.6	26.8	16.5	23.8	26.6	...
Colombia	7.1	8.5	8.2	9.2	11.3	12.3	14.4	13.3	20.2	19.2	17.0
Costa Rica	18.0	19.1	8.9	21.2	17.6	14.9	16.5	16.6	17.1	...	...
Chile	6.6	4.6	4.6	7.3	13.1	14.6	16.8	15.4	16.8	...	...
Ecuador	10.3	11.5	14.1	21.1	18.0	15.2	14.7	15.9	15.6	...	...
Guatemala	5.9	6.0	7.6	10.2	10.6	12.4	8.9	14.8	14.8	...	...
Mexico	...	16.1	23.9	34.7	45.6	45.3	46.5	70.0	80.2	68.9	50.7
Paraguay	...	4.0	4.4	7.2	7.1	8.6	7.0	8.2	12.0	11.5	...
Peru ^b	21.3	17.7	20.7	18.8	24.9	23.4	20.1	15.0	15.7	27.3	22.7
Uruguay	3.3	1.9	1.6	4.8	8.9	15.6	14.7	11.1	9.1	...	...
Venezuela	...	9.3	10.6	13.3	12.8	14.4	13.6	12.7	10.1	17.2	...

Source: ECLAC, on the basis of official figures and figures provided by the ECLAC/UNDP Regional Project on Fiscal Policies.

^a Corresponds only to the "real" component of return to capital, excluding the monetary adjustment of principal component, which is part of interest payments at the nominal rate. ^b Corresponds to accrued interest.

Table 5
**LATIN AMERICA: INTEREST PAID AND ACCRUED ON EXTERNAL
 PUBLIC DEBT**
(Percentages of GDP)

Country and item	1977- 1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Argentina											
Interest paid	0.7	0.6	0.9	1.9	2.3	2.7	5.2	4.0	4.1	2.9	1.5
Interest accrued	0.7	0.6	0.9	1.9	3.4	4.0	3.8	3.7	3.9	4.9	5.3
Bolivia											
Interest paid	2.7	4.0	4.5	7.0	6.6	3.2	2.6	1.6	2.3	2.3	1.9
Interest accrued	2.7	4.0	4.5	8.8	7.0	4.7	6.2	3.0	3.9	3.1	2.7
Brazil											
Interest paid	1.0	1.6	1.8	2.1	2.6	2.6	2.5	1.8	1.7	2.9	0.9
Interest accrued	1.0	1.6	1.8	2.1	2.6	2.6	2.5	1.8	2.7	2.2	1.7
Colombia											
Interest paid y accrued	0.7	0.9	1.1	1.4	1.4	1.3	2.4	2.5	3.0	2.7	3.0
Costa Rica											
Interest paid	1.7	2.9	4.3	3.2	16.3	6.0	8.3	4.4	2.7	3.4	3.0
Interest accrued	1.7	2.9	4.3	11.1	10.4	7.4	7.0	6.1	7.4	5.3	3.6
Chile											
Interest paid and accrued	1.8	1.8	1.6	2.3	2.8	5.1	6.5	7.4	6.1	3.9	4.3
Ecuador											
Interest paid	1.4	2.5	3.3	4.4	3.3	7.2	5.8	5.9	2.5	3.1	3.7
Interest accrued	1.4	2.5	3.3	4.4	3.3	7.2	5.8	5.9	6.9	8.1	8.0
Mexico											
Interest paid and accrued	1.9	1.8	1.8	3.8	4.8	4.3	4.2	4.8	4.5	3.8	3.5
Peru											
Interest paid	2.5	2.6	2.2	2.2	3.4	1.7	1.7	0.9	0.6	0.2	0.2
Interest accrued	2.5	2.6	2.2	2.2	3.4	4.2	4.5	2.5	1.5	1.7	1.3
Uruguay											
Interest paid and accrued	1.2	1.2	1.1	1.4	3.6	5.4	5.4	3.9	3.5	3.2	3.2
Venezuela											
Interest paid and accrued	1.0	2.1	1.9	2.4	2.9	2.5	2.3	3.4	3.2	3.7	4.8
Total 11 countries											
Interest paid	1.2	1.5	1.7	2.5	3.2	3.1	3.5	3.1	2.8	3.1	2.1
Interest accrued	1.1	1.5	1.6	2.5	3.3	3.4	3.4	3.1	3.4	3.1	2.9

Source: Interest paid: World Bank, *World Debt Tables, 1988-1989 Edition*, Washington, D.C., 1989, and *World Debt Tables, 1990-1991*, Washington, D.C., 1990; interest accrued: ECLAC estimates.

Table 6
LATIN AMERICA: TOTAL EXPENDITURE OF THE NON-FINANCIAL
PUBLIC SECTOR IN REAL TERMS, EXCLUDING INTEREST
ON PUBLIC DEBT^{a b}

Country	1977- 1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Indexes (1980 = 100)											
Argentina	88.6	100.0	95.3	77.1	91.3	87.2	80.8	87.3	92.3	92.4	75.6
Bolivia	...	100.0	90.8	92.4	81.2	110.1	71.3	67.7	74.3	...	...
Brazil	...	100.0	99.2	96.7	88.4	84.0	98.3	124.2	126.4	120.4	...
Colombia	86.5	100.0	103.8	109.8	118.8	121.1	117.7	118.1	118.8	124.8	130.7
Costa Rica	92.2	100.0	81.2	71.5	80.2	80.2	76.7	87.4	84.7	...	...
Chile	92.5	100.0	116.8	124.9	105.2	114.9	114.9	120.2	119.8	...	...
Ecuador	83.6	100.0	103.6	92.8	88.9	86.0	98.9	102.5	86.3	...	...
Guatemala	81.3	100.0	113.4	86.9	72.1	68.5	60.6	64.9	74.4	...	...
Mexico	...	100.0	125.9	134.6	95.3	92.8	94.0	91.8	83.3	73.6	81.8
Paraguay	...	100.0	123.8	129.9	140.4	144.3	127.2	110.2	118.2	129.5	...
Peru	76.0	100.0	102.0	111.8	101.5	97.5	97.9	97.9	92.0	71.8	41.0
Uruguay	89.4	100.0	116.0	127.5	93.9	84.8	80.9	92.7	101.0	...	...
Venezuela	...	100.0	96.9	105.2	90.3	86.9	68.9	82.3	79.6	80.5	...
Latin America	...	100.0	106.1	106.1	93.1	90.5	92.2	103.1	101.9	...	...
Percentage variation											
Argentina	10.7	-4.7	-19.0	18.4	-4.5	-7.4	8.1	5.7	0.1	-18.1	...
Bolivia	...	-9.2	1.7	-12.1	35.5	-35.2	-5.1	9.8	...	...	...
Brazil	...	-0.8	-2.6	-8.6	-4.9	17.0	26.3	1.8	-4.7	...	...
Colombia	7.3	3.8	5.8	8.2	1.9	-2.8	0.4	0.6	5.0	4.7	...
Costa Rica	1.8	-18.8	-11.9	12.2	0.0	-4.4	13.9	-3.1	...	...	...
Chile	10.0	16.8	6.9	-15.7	9.2	0.0	4.6	-0.3	...	...	...
Ecuador	19.7	3.6	-10.5	-4.2	-3.2	15.0	3.6	-15.8	...	...	...
Guatemala	23.0	13.4	-23.4	-17.0	-5.0	-11.5	7.1	14.5	...	...	...
Mexico	...	25.9	6.8	-29.2	-2.7	1.3	-2.4	-9.2	-11.7	11.2	...
Paraguay	...	23.8	4.9	8.1	2.8	-11.9	-13.4	7.3	9.6	...	...
Peru	33.3	2.0	9.6	-9.2	-3.9	0.3	0.0	-5.9	-22.0	-42.9	...
Uruguay	16.9	16.0	9.9	-26.4	-9.7	-4.6	14.6	9.0	...	...	...
Venezuela	...	-3.1	8.6	-14.1	-3.8	-20.7	19.5	-3.3	1.0	...	...
Latin America	...	6.1	0.0	-12.3	-2.8	1.9	11.8	-1.2	...	...	...

Source: ECLAC, on the basis of official figures and figures provided by the ECLAC/UNDP Regional Project on Fiscal Policies.

^a Including general government expenditures and capital and interest expenditures of non-financial public enterprises.

^b Calculated on the basis of figures in constant 1980 dollars.

Table 7
**LATIN AMERICA: GENERAL GOVERNMENT CONSUMPTION
 EXPENDITURE IN REAL TERMS^a**

Country	1977- 1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990 ^b
Indexes (1980 = 100)												
Argentina	77.8	100.0	87.9	73.3	91.5	93.0	85.7	89.2	94.0	92.6	85.1	77.8
Bolivia	...	100.0	84.7	61.4	61.0	82.8	67.9	67.1	71.8	75.0	84.5	93.8
Brazil	...	100.0	97.6	105.6	97.4	88.6	114.6	132.0	155.5	160.8	187.2	146.0
Colombia	78.0	100.0	113.5	116.6	122.5	109.9	118.2	122.5	124.1	131.1	146.9	147.0
Costa Rica	91.0	100.0	84.4	70.2	78.3	82.0	81.5	83.5	84.6	89.4	98.8	100.0
Chile	100.8	100.0	95.4	86.5	75.9	79.8	75.0	72.8	75.1	84.6	77.5	82.0
Ecuador	85.3	100.0	103.4	102.3	89.9	92.8	90.7	99.7	90.1	81.1	74.7	78.9
Guatemala	88.9	100.0	100.5	87.7	81.4	84.0	77.4	81.3	87.8	83.0	84.1	71.3
Mexico	...	100.0	116.7	112.7	90.8	98.7	101.2	95.6	91.6	91.4	97.7	99.5
Paraguay	...	100.0	120.5	122.8	121.9	94.7	99.6	95.3	95.2	92.0	135.2	133.9
Peru	88.8	100.0	106.1	118.9	103.8	80.0	80.9	87.1	92.1	67.8	42.4	27.8
Uruguay	87.5	100.0	110.3	102.2	87.3	81.0	78.7	85.2	84.2	87.8	84.1	79.9
Venezuela	...	100.0	104.5	113.9	86.4	74.3	60.9	69.8	63.1	71.8	50.7	53.2
Latin America	...	100.0	102.5	102.7	93.0	89.9	95.4	101.6	107.7	110.0	115.2	102.2
Percentage variation												
Argentina			-12.1	-16.6	24.9	1.6	-7.9	4.1	5.3	-1.5	-8.0	-8.6
Bolivia			-15.3	-27.6	-0.7	35.7	-18.0	-1.2	7.0	4.4	12.7	11.0
Brazil			-2.4	8.2	-7.7	-9.1	29.4	15.2	17.8	3.4	16.4	-22.0
Colombia			13.5	2.7	5.1	-10.3	7.6	3.6	1.3	5.6	12.0	0.1
Costa Rica			-15.6	-16.8	11.5	4.7	-0.5	2.5	1.3	5.7	10.5	1.2
Chile			-4.6	-9.3	-12.2	5.1	-6.0	-3.0	3.2	12.7	-8.4	5.8
Ecuador			3.4	-1.1	-12.1	3.3	-2.3	10.0	-9.6	-10.1	-7.8	5.6
Guatemala			0.5	-12.7	-7.2	3.3	-8.0	5.1	8.0	-5.4	1.2	-15.2
Mexico			16.7	-3.4	-19.5	8.7	2.5	-5.5	-4.3	-0.2	6.9	1.9
Paraguay			20.5	1.9	-0.7	-22.3	5.1	-4.3	-0.2	-3.4	47.1	-1.0
Peru			6.1	12.1	-12.7	-23.0	1.2	7.6	5.7	-26.4	-37.4	-34.6
Uruguay			10.3	-7.3	-14.6	-7.2	-2.8	8.3	-1.2	4.2	-4.2	-5.0
Venezuela			4.5	9.0	-24.2	-14.0	-18.0	14.5	-9.6	13.9	-29.5	5.0
Latin America			2.5	0.1	-9.4	-3.4	6.1	6.5	6.0	2.1	4.7	-11.3

Source: ECLAC, on the basis of figures provided by official sources and by the ECLAC/UNDP Regional Project on Fiscal Policies.

^a Calculated on the basis of figures expressed in dollars at constant 1980 prices ^b ECLAC estimates, except in the case of Argentina.

Table 8
LATIN AMERICA: REAL PUBLIC INVESTMENT^{a,b}

Country	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Indexes (1980 = 100)										
Argentina	100.0	87.2	78.1	89.0	73.6	64.0	73.4	79.8	81.9	57.7
Bolivia	100.0	84.7	78.7	46.2	52.6	53.1	71.2	81.7	...	...
Brazil	100.0	111.0	96.5	74.2	71.9	84.8	102.6	117.9	106.1	...
Colombia	100.0	120.4	124.7	147.3	160.4	147.3	135.0	128.7	139.2	150.1
Costa Rica	100.0	98.8	73.5	69.7	77.7	78.0	77.9	62.8	...	...
Chile	100.0	102.5	82.6	81.9	109.1	131.4	210.0	212.1	...	...
Ecuador	100.0	115.6	107.0	86.2	73.5	79.5	111.4	98.8	...	...
Guatemala	100.0	138.9	93.2	62.5	51.9	38.0	35.6	36.9	...	...
Mexico	100.0	125.1	106.0	69.5	68.1	64.4	61.8	58.2	51.7	46.1
Paraguay	100.0	105.8	120.2	151.4	178.2	149.4	112.4	125.1	170.2	...
Peru	100.0	126.9	148.2	131.9	125.4	103.5	91.1	77.2	60.2	39.0
Uruguay	100.0	113.9	129.7	97.7	81.2	71.7	71.8	89.9	...	...
Venezuela	100.0	89.8	89.5	87.9	68.1	51.9	66.5	62.0	91.7	...
Latin America	100.0	108.6	97.3	81.5	76.0	75.2	85.7	89.6	...	...
Percentage variation										
Argentina		-12.8	-10.4	14.0	-17.3	-13.0	14.5	8.9	2.5	-29.5
Bolivia		-15.3	-7.0	-41.4	13.9	0.9	34.2	14.7	...	...
Brazil		11.0	-13.1	4-23.1	-3.1	17.9	20.9	14.9	-9.9	...
Colombia		20.4	3.6	18.1	8.9	-8.2	-8.4	-4.7	8.2	7.8
Costa Rica		-1.2	-25.6	-5.1	11.4	0.4	-0.1	-19.5	...	...
Chile		2.5	-19.5	-0.8	33.2	20.4	59.9	1.0	...	...
Ecuador		15.6	-7.4	-19.4	-14.7	8.1	40.2	-11.3	...	...
Guatemala		38.9	-32.9	-32.9	-16.9	-26.7	-6.3	3.5	...	...
Mexico		25.1	-15.2	-34.5	-2.1	-5.3	-4.1	-5.8	-11.1	-10.9
Paraguay		5.8	13.6	26.0	17.7	-16.2	-24.8	11.4	36.0	...
Peru		26.9	16.8	-11.0	-5.0	-17.4	-12.0	-15.3	-22.1	-35.1
Uruguay		13.9	13.9	-24.7	-16.9	-11.6	0.1	25.2	...	...
Venezuela		-10.2	-0.3	-1.7	-22.6	-23.8	28.1	-6.7	47.9	...
Latin America		8.6	-10.4	-16.2	-6.7	-1.1	14.1	4.5	...	...

Source: ECLAC, on the basis of figures provided by official sources and by the ECLAC/UNEP Regional Project on Fiscal Policies.

^a Includes capital expenditure in non-financial assets.

^b Calculated on the basis of figures expressed in dollars at constant 1980 prices.

Table 9
LATIN AMERICA: GROSS FIXED INVESTMENT AND
REAL PUBLIC INVESTMENT
(Coefficients expressed in terms of GDP)^a

Country	Gross fixed investment			Real public investment		
	1980-1981 (1)	1986-1989 (2)	(2)-(1)	1980-1981 (3)	1986-1989 (4)	(3)-(4)
Argentina	20.5 20.9 ^b	... 11.3 ^b	... -9.6	8.8	7.1	-1.7
Bolivia	14.1	11.1 ^c	-3.0	6.7	6.2 ^c	-0.5
Brazil	22.9	21.4 ^d	-1.5	8.3	7.2 ^d	-1.1
Colombia	17.3	18.2	1.0	6.5	6.4	-0.1
Costa Rica	24.0	19.3 ^c	-4.7	8.2	5.3 ^c	-2.9
Chile	17.5	15.3 ^c	-2.2	5.2	7.7 ^c	2.6
Ecuador	23.0	20.8 ^c	-2.2	9.9	8.7 ^c	-1.2
Guatemala	18.6	14.8 ^c	-3.8	5.8	1.8 ^c	-4.0
Mexico	25.6	19.0	-6.6	8.5	4.0	-4.5
Paraguay	27.3	23.4 ^d	-3.9	4.4	5.1 ^d	0.7
Peru	26.6	21.7	-4.9	6.7	3.7	-3.0
Uruguay	16.2	10.8 ^c	-5.4	4.1	3.3 ^c	-0.8
Venezuela	24.9	19.3 ^d	-5.6	13.2	9.0 ^d	-4.2

Source: ECLAC, on the basis of official figures.

^a Calculated on the basis of figures expressed in the local currencies at current prices.
 figures expressed in dollars at constant 1980 prices. ^c 1986-1987. ^d 1986-1988.

^b Calculated on the basis of

Table 10
**LATIN AMERICA: CURRENT INCOME OF NON-FINANCIAL
 PUBLIC SECTOR IN REAL TERMS^a**

Country	1977- 1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Indexes (1980 = 100)											
Argentina	91.8	100.0	88.8	73.2	75.9	78.0	90.3	96.3	92.8	79.5	77.9
Bolivia	...	100.0	88.8	66.7	40.6	35.4	72.7	91.2	74.1	96.2	91.1
Brazil	...	100.0	94.4	93.3	89.6	92.6	103.2	123.8	121.4	115.1	106.0
Colombia	96.3	100.0	87.8	94.9	96.2	108.1	120.3	143.9	142.9	146.6	151.5
Costa Rica	83.0	100.0	93.6	86.7	110.5	121.2	114.2	122.1	125.8	131.5	137.5
Chile	88.8	100.0	97.3	83.9	83.3	90.9	99.3	102.4	106.7	126.9	129.6
Ecuador	97.7	100.0	102.2	101.2	101.3	112.1	135.7	122.4	98.0	102.6	122.2
Guatemala	103.3	100.0	91.1	85.3	79.9	69.2	75.9	87.5	95.8	108.4	104.6
Mexico	...	100.0	103.4	116.8	128.5	128.9	124.3	114.4	121.3	121.3	132.3
Paraguay	...	100.0	98.0	109.7	98.7	93.5	106.2	97.3	107.8	113.5	119.7
Peru	73.8	100.0	91.0	94.0	82.0	91.4	106.8	88.7	72.3	55.5	27.2
Uruguay	86.9	100.0	104.2	87.7	84.2	78.8	81.4	96.0	100.8	105.4	96.4
Venezuela	...	100.0	94.2	88.6	75.7	89.9	74.9	75.9	81.3	61.8	70.6
Latin America	...	100.0	95.6	94.7	94.3	98.8	103.1	109.4	109.7	104.2	104.2
Percentage variation											
Argentina		8.7	-11.2	-17.6	3.7	2.8	15.8	6.6	-3.6	-14.4	-2.0
Bolivia		...	-11.2	-24.8	-39.1	-13.0	105.6	25.5	-18.8	29.8	-5.2
Brazil		...	-5.6	-1.2	-3.9	3.4	11.4	19.9	-1.9	-5.2	-7.9
Colombia		-0.7	-12.2	8.1	1.3	12.4	11.3	19.5	-0.7	2.5	3.4
Costa Rica		18.4	-6.4	-7.4	27.5	9.7	-5.8	6.9	3.0	4.6	4.5
Chile		11.8	-2.7	-13.8	-0.7	9.0	9.3	3.2	4.1	19.0	2.2
Ecuador		2.3	2.2	-0.9	0.1	10.6	21.1	-9.8	-19.9	4.7	19.1
Guatemala		-3.2	-8.9	-6.4	-6.3	-13.5	9.7	15.4	9.4	13.2	-3.5
Mexico		...	3.4	13.0	10.0	0.4	-3.6	-8.0	6.0	0.0	9.1
Paraguay		...	-2.0	11.9	-10.0	-5.3	13.6	-8.4	10.8	5.2	5.5
Peru		12.0	-9.0	3.3	-12.8	11.4	16.9	-16.9	-18.5	-23.2	-51.0
Uruguay		15.4	4.2	-15.8	-4.0	-6.4	3.3	18.0	5.0	4.5	-8.5
Venezuela		...	-5.8	-5.9	-14.6	18.7	-16.7	1.4	7.1	-24.0	14.3
Latin America		...	-4.4	-1.0	-0.5	4.8	4.4	6.1	0.2	-5.0	-

Source: ECLAC, on the basis of figures provided by official sources and by the ECLAC/UNDP Regional Project on Fiscal Policies.

^a Calculated on the basis of figures expressed in dollars at constant 1980 prices.

Table 11
LATIN AMERICA: FISCAL CAPACITY, FISCAL INCOME AND
GROSS DOMESTIC PRODUCT IN REAL TERMS ^a

Country	Fiscal capacity ^b (as a percentage of GDP)			Real fiscal income ^b (index 1980=100)	Gross domestic product (index 1980=100)
	1980-1981 (1)	1987-1989 (2)	(2)-(1)	1987-1989	1987-1989
Argentina	26.6	24.6	-2.0	88.4	95.5
Bolivia	20.2	20.0	-0.2	92.3	93.0
Brazil	24.1	23.3	-0.7	117.5	121.4
Colombia	18.3	21.7	3.4	156.6	131.7
Costa Rica	31.8	37.0	5.2	135.9	117.0
Chile	34.3	36.1	1.8	122.7	116.2
Ecuador	26.7	24.7	-2.0	106.4	115.1
Guatemala ^c	9.0	9.7	0.6	107.7	100.8
Mexico	21.3	24.8	3.5	122.9	105.4
Paraguay	12.8	12.2	-0.5	114.8	119.7
Peru	24.9	12.7	-12.2	54.1	103.1
Uruguay	27.4	27.3	-0.1	98.8	99.1
Venezuela	36.9	26.4	-10.5	73.4	102.8

Source: ECLAC, on the basis of figures provided by official sources and by the ECLAC/UNDP Regional Project on Fiscal Policies.

^a Calculated on the basis of figures expressed in dollars at constant 1980 prices. ^b Includes current income of general government and savings of public enterprises. ^c Central government only.

Table 12
**LATIN AMERICA: CURRENT INCOME OF THE NON-FINANCIAL PUBLIC
 SECTOR, BY TYPE OF INCOME**
(As a percentage of GDP)

Country and category	1977-1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Argentina												
Current income	26.4	27.3	26.0	22.7	23.0	23.1	28.0	28.1	26.5	23.4	24.0	24.2
Tax revenues	16.1	18.3	17.8	16.6	16.2	15.4	18.4	18.4	17.7	15.3	17.6	14.9
Direct taxes ^a	2.6	2.4	2.6	2.5	2.0	1.7	2.4	2.8	3.1	...	...	...
Indirect taxes	8.4	9.8	10.1	9.1	9.3	9.3	10.9	9.8	9.6	...	...	...
Taxes on foreign trade	1.7	1.9	1.6	1.5	2.3	1.4	1.9	2.3	1.7	...	...	...
Local government taxes	3.4	4.2	3.5	3.5	2.6	3.1	3.3	3.5	3.3	...	...	...
Social security	4.2	5.0	2.5	2.1	2.2	2.8	3.6	4.0	3.9	4.7	3.3	5.1
Non-tax revenues	4.1	3.7	4.1	3.8	4.7	4.3	4.9	3.8	3.1	2.4	2.2	2.6
Savings of public enterprises	2.2	0.4	1.6	0.2	-0.1	0.6	1.0	1.9	1.8	1.0	0.9	1.6
Bolivia												
Current income	...	21.5	18.9	14.9	9.5	8.3	17.2	22.2	17.6	...	...	...
Tax revenues	...	10.0	11.5	7.4	5.1	4.1	11.7	18.4	15.8	...	...	...
Direct taxes	...	1.7	1.7	1.2	0.9	0.3	0.3	1.0	0.8	...	...	...
Indirect taxes	...	8.3	9.8	6.2	4.3	3.9	11.3	17.4	15.0	...	...	...
Social security	...	3.1	2.7	1.6	1.3	3.0	1.8	2.6	2.5	...	...	...
Non-tax revenues	...	1.5	2.1	2.2	1.3	0.7	2.2	0.5	1.8	...	...	...
Savings of public enterprises	...	7.0	2.7	3.7	1.8	0.6	1.7	0.7	-2.5	...	...	...
Brazil												
Current income	...	24.2	23.9	23.5	23.3	22.8	23.4	26.4	25.0	23.8	21.2	24.3
Tax revenues	...	14.1	13.9	13.7	14.6	14.0	14.6	16.0	14.2	13.6	12.6	14.7
Direct taxes	...	3.0	3.2	3.3	3.8	4.1	4.4	4.5	3.8	4.0	3.9	3.9
Indirect taxes	...	10.2	10.1	9.9	10.2	9.4	9.6	11.0	10.1	9.2	8.3	10.4
Taxes on foreign trade	...	0.9	0.6	0.5	0.6	0.5	0.6	0.5	0.4	0.4	0.4	0.4
Social security	...	4.8	4.9	5.7	5.0	4.9	4.5	4.9	4.4	3.8	4.0	4.2
Non-tax revenues	...	1.5	1.4	1.5	0.8	0.8	1.2	1.9	2.6	2.8	1.5	1.7
Savings of public enterprises	...	3.8	3.6	2.6	3.0	3.2	3.2	3.6	3.7	3.6	3.2	3.7
Colombia												
Current income	20.3	19.7	16.9	18.1	18.0	19.5	20.9	23.4	22.0	21.6	21.6	...
Tax revenues	13.9	13.5	11.6	12.0	12.1	11.0	12.7	13.9	13.7	13.4	13.0	...
Direct taxes ^a	3.0	2.8	2.5	2.5	3.0	3.0	3.2	3.2	3.5	3.5	3.3	...
Indirect taxes	2.8	3.0	3.1	3.1	3.0	2.5	2.9	2.8	2.7	2.6	2.4	...
Taxes on foreign trade	2.0	2.3	1.9	2.0	1.4	1.8	2.4	2.9	3.2	3.3	2.7	...
Local government taxes	5.9	5.4	4.1	4.4	4.7	3.6	4.2	4.9	4.3	4.0	4.7	...
Social security	1.5	1.5	1.4	1.0	1.4	1.5	1.4	1.2	1.2	1.2	1.1	...
Non-tax revenues	1.7	1.5	1.4	2.1	1.9	3.4	2.9	2.9	3.0	2.8	2.3	...
Savings of public enterprises	3.2	3.4	2.5	3.0	2.6	3.7	3.8	5.4	4.1	4.2	5.1	...

Table 12 (continued 1)

Country and category	1977-1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Costa Rica												
Current income	27.8	32.5	31.2	31.1	38.7	39.3	36.8	37.3	36.8	...	...	...
Tax revenues	14.6	13.7	14.4	14.7	17.4	17.3	16.2	15.1	16.1	...	...	...
Direct taxes	3.5	3.0	3.1	3.4	4.1	3.7	3.2	3.0	3.0	...	...	...
Indirect taxes	7.4	7.3	6.3	6.0	8.4	8.7	8.2	4.6	5.0	...	...	...
Taxes on foreign trade	3.7	3.4	5.0	5.3	4.9	5.0	4.8	7.6	8.2	...	...	...
Social security	5.8	6.6	5.8	5.4	7.1	6.8	6.8	6.8	7.1	...	...	...
Non-tax revenues	4.4	4.5	1.6	1.2	1.6	1.8	2.3	2.0	2.1	...	...	...
Savings of public enterprises	3.0	7.7	9.3	9.9	12.6	13.4	11.5	13.4	11.4	...	...	...
Chile												
Current income	35.4	35.7	32.8	32.4	32.6	33.6	35.9	35.0	34.5	38.2	...	...
Tax revenues	21.1	20.8	20.5	19.5	19.6	21.0	20.7	20.8	21.0	19.8	...	...
Direct taxes	7.6	7.3	5.8	5.7	5.0	4.7	3.7	3.9	4.4	6.9	...	...
Copper sector	2.4	1.9	0.2	1.0	1.9	1.3	0.5	0.6	1.1	4.7	...	...
Other direct taxes	5.3	5.4	5.5	4.8	3.1	3.4	3.1	3.3	3.3	2.2	...	...
Indirect taxes	11.5	11.5	12.5	12.3	12.3	13.0	13.4	14.1	13.4	9.7	...	...
Taxes on foreign trade	2.0	2.0	2.3	1.4	2.3	3.3	3.6	2.8	3.2	3.2	...	...
Social security	4.5	5.6	4.7	3.3	2.8	2.8	2.4	2.2	2.0	1.7	...	...
Non-tax revenues	2.8	2.5	2.2	2.4	2.2	2.5	2.7	2.7	2.7	2.5	...	...
Savings of public enterprises	6.9	6.9	5.4	7.2	7.9	7.4	10.1	9.4	8.9	14.2	...	...
Ecuador												
Current income	27.5	27.0	26.5	26.0	26.3	27.8	32.1	28.1	24.8	...	...	...
Tax revenues	16.0	16.8	16.8	17.4	16.0	17.5	22.1	18.7	16.4	...	...	...
Direct taxes	7.3	7.6	6.6	7.9	7.3	8.6	8.4	5.1	3.5	...	...	...
Petroleum sector	3.7	4.5	3.0	4.4	3.7	5.0	4.9	2.4	1.1	...	...	...
Indirect taxes	8.8	9.2	10.3	9.5	8.7	8.9	13.7	13.6	12.9	...	...	...
Petroleum sector	0.8	1.6	3.6	3.5	2.8	2.2	6.2	4.9	4.4	...	...	...
Social security	3.2	3.5	3.4	3.3	3.4	3.0	2.9	3.0	2.8	...	...	...
Non-tax revenues	4.9	4.4	4.7	4.7	5.2	4.8	4.7	4.3	3.8	...	...	...
Petroleum sector	1.5	1.1	1.3	1.6	2.4	2.1	1.1	0.6	0.6	...	...	...
Savings of public enterprises	3.3	2.3	1.6	0.6	1.7	2.6	2.5	2.0	1.8	...	...	...
Guatemala^a												
Current income	9.9	9.5	8.6	8.4	8.2	7.0	7.7	8.9	9.4	...	...	...
Tax revenues	9.2	8.6	7.6	7.2	6.3	5.3	6.1	7.0	8.1	...	...	...
Direct taxes ^a	1.6	1.3	1.3	1.2	1.5	0.9	1.1	1.2	1.5	...	...	...
Indirect taxes	4.1	4.0	4.3	4.5	3.7	3.2	4.2	3.6	4.1	...	...	...
Taxes on foreign trade	3.5	3.3	2.0	1.4	1.2	1.1	0.8	2.2	2.4	...	...	...
Non-tax revenues	0.7	0.9	1.0	1.2	1.9	1.8	1.7	1.9	1.3	...	...	...

Table 12 (continued 2)

Country and category	1977-1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Mexico												
Current income	...	21.9	20.8	23.6	27.1	26.3	24.7	23.6	24.6	24.3	25.7	...
Tax revenues	...	14.9	14.9	15.8	18.6	18.2	17.8	17.4	18.1	17.8	18.6	...
Direct taxes	...	9.2	9.3	9.4	10.6	9.9	9.8	8.0	9.2	8.3	9.2	...
Petroleum sector	...	3.7	3.8	4.7	6.5	5.8	5.8	3.8	5.3	3.4	3.6	...
Indirect taxes	...	4.7	4.4	5.5	7.5	7.8	7.3	8.6	8.1	9.0	8.6	...
Petroleum sector	...	0.4	0.4	1.2	1.8	2.0	1.8	2.4	2.1	2.4	2.2	...
Taxes on foreign trade	...	1.0	1.1	0.9	0.5	0.5	0.6	0.9	0.8	0.4	0.8	...
Social security	...	2.3	2.3	2.4	2.0	2.0	2.1	2.1	1.8	2.0	2.2	...
Non-tax revenues	...	1.4	1.5	1.7	1.6	1.1	1.1	1.2	1.5	1.7	2.9	...
Savings of public enterprises	...	3.3	2.2	3.7	5.0	5.1	3.7	2.8	3.2	2.9	2.1	...
Petroleum sector	...	2.0	1.8	2.8	4.7	4.0	2.3	1.1	1.1	0.7	0.0	...
Paraguay												
Current income	...	13.4	12.1	13.6	12.7	11.6	12.7	11.6	12.3	12.2	...	...
Tax revenues	...	9.0	8.1	8.5	6.8	7.1	7.2	7.1	7.5	7.6	...	...
Direct taxes	...	2.0	2.0	2.2	1.7	1.4	1.6	1.6	1.8	1.6	...	...
Indirect taxes	...	3.2	2.9	3.7	3.2	3.8	3.9	3.9	3.9	4.0	...	...
Taxes on foreign trade	...	3.1	2.5	2.1	1.4	1.3	1.3	1.2	1.3	1.3	...	...
Local government taxes	...	0.8	0.7	0.4	0.5	0.6	0.4	0.4	0.5	0.7	...	...
Social security	...	1.5	1.5	2.0	2.2	1.4	1.5	1.6	1.7	1.4	...	...
Non-tax revenues	...	1.0	1.0	1.2	1.7	1.4	1.1	1.1	1.1	1.1	...	...
Savings of public enterprises	...	1.9	1.5	1.9	2.0	1.6	2.9	1.8	2.1	2.1	...	...
Peru												
Current income	21.3	26.6	23.2	23.9	23.7	25.2	28.8	22.0	16.6	13.9	7.7	...
Tax revenues	13.0	15.8	13.2	13.1	10.8	11.7	13.7	11.7	8.8	8.9	5.4	...
Social security	1.9	1.8	2.0	1.8	1.6	1.6	1.7	1.9	2.0	1.3	1.0	...
Non-tax revenues	1.7	2.2	2.2	2.2	2.0	3.1	2.5	1.8	1.1	1.4	0.2	...
Savings of public enterprises	4.7	6.8	5.8	6.8	9.3	8.8	10.9	6.6	4.7	2.3	1.1	...
Uruguay												
Current income	25.5	26.9	27.8	25.9	26.7	25.4	25.8	28.1	27.3	28.6	...	...
Tax revenues	15.4	17.0	17.8	15.6	16.0	13.9	15.8	16.5	16.6	17.6	...	...
Direct taxes	2.7	3.2	2.6	2.2	2.9	1.9	2.5	2.8	2.8	3.0	...	...
Indirect taxes	11.1	12.3	13.5	11.4	11.1	10.6	11.7	12.0	12.0	12.6	...	...
Local government taxes	1.6	1.6	1.7	2.0	1.9	1.4	1.6	1.7	1.9	2.0	...	...
Social security	6.8	5.6	6.1	5.9	5.5	4.9	5.5	6.5	6.4	6.6	...	...
Non-tax revenues	1.7	1.9	2.2	2.5	2.7	2.0	1.6	1.6	2.1	1.9	...	...
Savings of public enterprises	1.6	2.4	1.9	2.0	2.5	4.5	2.9	3.4	2.2	2.5	...	...

Table 12 (concluded)

Country and category	1977-1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Venezuela												
Current income	...	37.7	36.1	34.5	31.1	37.2	31.0	29.5	30.4	21.8	...	...
Tax revenues	...	23.2	30.9	24.2	19.8	22.1	19.1	16.1	16.1	13.9	...	...
Direct taxes	...	17.7	25.6	17.8	15.2	17.8	15.2	10.3	10.5	11.0	...	...
Petroleum sector	...	14.8	22.2	14.6	11.7	14.8	11.5	6.6	6.6	8.0	...	...
Indirect taxes	...	3.7	3.4	3.9	3.4	3.0	2.5	4.0	3.4	1.7	...	...
Taxes on foreign trade	...	1.8	1.9	2.4	1.2	1.3	1.3	1.8	2.2	1.2	...	...
Social security	...	1.7	1.5	1.6	1.2	1.0	0.8	0.9	0.8	0.8	...	...
Non-tax revenues	...	5.0	4.7	5.9	8.6	9.4	7.3	8.4	8.3	4.7	...	...
Foreign exchange profits	...	0.0	0.0	0.0	3.5	4.1	2.4	3.4	3.4	0.0	...	...
Savings of public enterprises	...	7.5	-1.2	2.4	1.0	4.3	3.5	3.8	4.4	2.4	...	...

Source: *Argentina: 1977-1987*, Angel Peña (consultant), *El déficit del sector público y la política fiscal en Argentina, 1978-1987* (LC/L.625), Política fiscal series, No. 12, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, June 1991; *1988-1990*, ECLAC, on the basis of official figures. *Bolivia: Economic Policy Analysis Unit (UDAPE) (consultant), Determinantes del déficit del sector público en Bolivia (período 1980-1987)* (LC/L.582 and LC/L.582/Add.1), Política fiscal series, No. 9, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, August 1990. *Brazil: Fabio Barbosa et al. (consultant), O déficit do setor público e a política fiscal no Brasil, 1980-1988* (LC/L.636), Política fiscal series, No. 14, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, September 1991. *Colombia: Eduardo Sarmiento (consultant), La política fiscal en Colombia* (LC/L.642), Política fiscal series, No. 16, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, October 1991. *Chile: Osvaldo Larrañaga (consultant), El déficit del sector público y la política fiscal en Chile, 1978-1987* (LC/L.563), Política fiscal series, No. 4, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, October 1991. Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, July 1990; and Osvaldo Larrañaga and Jorge Marshall (consultants), *Ajuste macroeconómico y finanzas públicas. Chile: 1982-1988* (LC/L.566), Política fiscal series, No. 6, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, July 1990. *Ecuador: G. Abril, S. Urbano and R. Urtiola (consultants), Determinantes del déficit y política fiscal en el Ecuador 1979-1987* (LC/L.624 and LC/L.624/Add.1), Política fiscal series, No. 11, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, June 1991. *Guatemala: ECLAC*, on the basis of official figures. *Mexico: Carlos Urzúa (consultant), El déficit del sector público y la política fiscal en México, 1980-1989* (LC/L.622), Política fiscal series, No. 10, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, June 1991. *Paraguay: ECLAC*, on the basis of official figures. *Peru: ECLAC*, on the basis of official figures. *Uruguay: Jorge E. Roldós (consultant), El déficit del sector público y la política fiscal en Uruguay (período 1978-1987)* (LC/L.579), Política fiscal series, No. 8, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, August 1990. *Venezuela: Efraín J. Velázquez (consultant), El déficit público y la política fiscal en Venezuela 1980-1990* (LC/L.635), Política fiscal series, No. 13, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), ECLAC/UNDP Regional Project on Fiscal Policies, July 1991.

^a Central Government.

^b Includes earnings transferred over to central government.

Table 13
**LATIN AMERICA: CURRENT INCOME OF THE NON-FINANCIAL
 PUBLIC SECTOR, BY TYPE OF INCOME**

Country and category	Percentages of GDP			Real income indexes 1980=100)
	1980-1981 (1)	1987-1989 (2)	(2)-(1)	
Argentina				
Current income	26.6	24.6	-2.0	88.4
Tax revenues	18.1	16.9	-1.2	89.1
Direct taxes ^a	2.5	3.1	0.6	122.1
Indirect taxes	9.9	9.6	-0.4	95.2
Taxes on foreign trade	1.8	1.7	0.0	96.5
Local government taxes	3.9	3.3	-0.5	85.2
Social security	3.7	3.9	0.2	100.1
Non-tax revenues	3.9	2.6	-1.3	64.0
Savings of public enterprises	1.0	1.2	0.3	125.1
Bolivia				
Current income	20.2	17.6	-2.7	78.5
Tax revenues	10.7	15.8	5.1	132.9
Direct taxes	1.7	0.8	-0.9	43.7
Indirect taxes	9.0	15.0	5.9	149.6
Social security	2.9	2.5	-0.4	77.1
Non-tax revenues	1.8	1.8	0.0	91.6
Savings of public enterprises	4.8	-2.5	-7.3	...
Brazil				
Current income	24.1	23.3	-0.7	117.5
Tax revenues	14.0	13.5	-0.5	116.6
Direct taxes	3.1	3.9	0.8	151.9
Indirect taxes	10.2	9.2	-1.0	109.7
Taxes on foreign trade	0.7	0.4	-0.3	64.4
Social security	4.9	4.1	-0.8	101.6
Non-tax revenues	1.5	2.3	0.8	187.1
Savings of public enterprises	3.7	3.5	-0.2	113.4
Colombia				
Current income	18.3	21.7	3.4	156.6
Tax revenues	12.5	13.4	0.8	140.6
Direct taxes ^a	2.7	3.4	0.8	169.7
Indirect taxes	3.0	2.6	-0.5	111.2
Taxes on foreign trade	2.1	3.1	1.0	195.6
Local government taxes	4.8	4.3	-0.5	119.1
Social security	1.4	1.2	-0.3	107.0
Non-tax revenues	1.5	2.7	1.2	242.0
Savings of public enterprises	2.9	4.5	1.5	201.5
Costa Rica				
Current income	31.8	36.8	5.0	129.9
Tax revenues	14.1	16.1	2.1	129.2
Direct taxes	3.1	3.0	-0.1	109.5
Indirect taxes	6.8	5.0	-1.8	82.3
Taxes on foreign trade	4.2	8.2	4.0	219.0
Social security	6.2	7.1	0.9	127.7
Non-tax revenues	3.0	2.1	-0.9	79.0
Savings of public enterprises	8.5	11.4	2.9	151.0

Table 13 (continued)

Country and category	Percentages of GDP			Real income indexes 1980=100)
	1980-1981 (1)	1987-1989 (2)	(2)-(1)	
Chile				
Current income	34.3	36.4	2.1	118.4
Tax revenues	20.6	20.4	-0.2	109.8
Direct taxes	6.5	5.6	-0.9	96.9
Copper sector	1.1	2.9	1.8	310.6
Other direct taxes	5.5	2.7	-2.7	55.3
Indirect taxes	12.0	11.6	-0.4	106.7
Taxes on foreign trade	2.1	3.2	1.1	167.1
Social security	5.1	1.8	-3.3	39.7
Non-tax revenues	2.3	2.6	0.3	124.6
Savings of public enterprises ^b	6.2	11.5	5.4	210.4
Ecuador				
Current income	26.7	24.8	-1.9	96.9
Tax revenues	16.8	16.4	-0.4	102.0
Direct taxes	7.1	3.5	-3.6	52.3
Petroleum sector	3.8	1.1	-2.7	30.0
Indirect taxes	9.7	12.9	3.1	138.2
Petroleum sector	2.6	4.4	1.8	173.3
Social security	3.4	2.8	-0.6	86.5
Non-tax revenues	4.6	3.8	-0.8	86.4
Petroleum sector	1.2	0.6	-0.7	47.5
Savings of public enterprises	2.0	1.8	-0.2	96.4
Guatemala^c				
Current income	9.0	9.4	0.3	100.2
Tax revenues	8.1	8.1	0.0	96.6
Direct taxes ^a	1.3	1.5	0.3	116.4
Indirect taxes	4.2	4.1	0.0	96.1
Taxes on foreign trade	2.6	2.4	-0.2	87.8
Non-tax revenues	1.0	1.3	0.3	131.2
Mexico				
Current income	21.3	24.8	3.5	122.9
Tax revenues	14.9	18.1	3.3	128.5
Direct taxes	9.3	8.9	-0.4	101.1
Petroleum sector	3.7	4.1	0.4	115.1
Indirect taxes	4.5	8.6	4.0	199.1
Petroleum sector	0.4	2.2	1.8	563.2
Taxes on foreign trade	1.1	0.7	-0.4	65.9
Social security	2.3	2.0	-0.3	90.6
Non-tax revenues	1.4	2.0	0.6	149.0
Savings of public enterprises	2.7	2.7	0.0	105.6
Petroleum sector	1.9	0.6	-1.3	33.4
Paraguay				
Current income	12.8	12.3	-0.5	111.8
Tax revenues	8.6	7.5	-1.0	102.2
Direct taxes	2.0	1.7	-0.3	97.1
Indirect taxes	3.0	4.0	0.9	152.0
Taxes on foreign trade	2.8	1.3	-1.5	54.1
Local government taxes	0.8	0.6	-0.2	92.2
Social security	1.5	1.5	0.0	116.2
Non-tax revenues	1.0	1.1	0.1	132.9
Savings of public enterprises	1.7	2.1	0.4	144.2

Table 13 (concluded)

Country and category	Percentages of GDP			Real income indexes 1980=100)
	1980-1981 (1)	1987-1989 (2)	(2)-(1)	
Peru				
Current income	24.9	12.7	-12.2	54.1
Tax revenues	14.5	7.7	-6.8	55.7
Social security	1.9	1.4	-0.5	79.2
Non-tax revenues	2.2	0.9	-1.3	43.9
Savings of public enterprises	6.3	2.7	-3.6	46.4
Uruguay				
Current income	27.4	28.0	0.6	101.0
Tax revenues	17.4	17.1	-0.3	97.3
Direct taxes ^a	2.9	2.9	0.0	99.0
Indirect taxes	12.9	12.3	-0.6	94.5
Local government taxes	1.6	1.9	0.3	116.5
Social security	5.8	6.5	0.7	110.4
Non-tax revenues	2.0	2.0	0.0	97.0
Savings of public enterprises	2.1	2.3	0.2	109.3
Venezuela				
Current income	36.9	26.1	-10.8	73.7
Tax revenues	27.1	15.0	-12.1	57.8
Direct taxes	21.7	10.7	-211.0	51.8
Petroleum sector	18.5	7.3	-11.2	41.3
Indirect taxes	3.6	2.6	-1.0	74.7
Taxes on foreign trade	1.89	1.7	-0.1	95.7
Social security	1.6	0.8	-0.8	52.2
Non-tax revenues	4.9	6.5	1.6	138.6
Petroleum sector	0.0	1.7	1.7	...
Savings of public enterprises	3.1	3.4	0.2	110.3

Source: ECLAC, on the basis of figures provided by official sources and by the ECLAC/UNDP Regional Project on Fiscal Policies.

^a Central government only.

^b Includes earnings transferred over to central government.

^c Central government.

Table 14
LATIN AMERICA: BREAKDOWN OF TAX REVENUES
(As a percentage of total income)

Country and category	1977-1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Argentina												
Direct taxes ^a	16.0	13.2	14.5	14.9	12.1	10.8	12.9	15.3	17.4	...	...	...
Indirect taxes	52.3	53.4	56.8	54.9	57.7	60.1	59.3	53.0	54.0	...	...	...
Taxes on foreign trade	10.6	10.5	9.0	9.2	14.2	8.9	10.1	12.7	9.8	...	...	...
Local government taxes	21.2	23.0	19.7	21.0	16.0	20.3	17.7	19.0	18.8	...	...	...
Bolivia												
Direct taxes	...	17.0	14.7	15.8	16.8	6.8	2.9	5.6	5.2	...	...	...
Indirect taxes	...	83.0	85.3	84.2	83.2	93.2	97.1	94.4	94.8	...	...	...
Brazil												
Direct taxes	...	21.6	22.8	24.2	26.0	29.3	30.3	28.3	26.5	29.2	31.0	26.4
Indirect taxes	...	72.3	72.8	72.4	69.9	67.1	65.7	68.6	70.7	67.9	65.8	70.8
Taxes on foreign trade	...	6.2	4.5	3.4	4.1	3.6	4.0	3.1	2.8	2.9	3.2	2.7
Colombia												
Direct taxes ^a	21.9	20.6	21.8	20.6	24.9	27.7	24.8	23.2	25.8	25.7	25.1	...
Indirect taxes	20.3	21.9	26.8	25.6	24.5	23.2	23.0	20.2	19.7	19.6	18.1	...
Taxes on foreign trade	14.8	17.1	16.0	16.7	11.9	16.5	19.0	21.0	23.4	24.8	21.0	...
Local government taxes	43.0	40.3	35.6	36.6	38.6	32.6	33.2	35.6	31.1	29.9	35.8	...
Costa Rica												
Direct taxes	24.2	22.0	21.7	23.0	23.8	21.2	19.8	19.5	18.5	...	...	...
Indirect taxes	50.4	53.1	43.3	41.0	48.2	50.1	50.3	30.4	30.7	...	...	...
Taxes on foreign trade	25.5	24.9	35.0	35.9	27.9	28.7	29.8	50.0	50.8	...	...	...
Chile												
Direct taxes	36.0	35.3	28.0	29.4	25.4	22.2	17.7	18.5	20.8	34.9	...	...
Cooper sector	11.2	9.3	1.2	5.0	9.6	6.0	2.6	2.9	5.2	23.7	...	...
Other direct taxes	24.9	26.0	26.9	24.4	15.8	16.2	15.1	15.7	15.5	11.1	...	...
Indirect taxes	54.5	55.3	60.9	63.2	62.7	62.1	64.7	67.8	64.0	49.1	...	...
Taxes on foreign trade	9.5	9.4	11.1	7.4	11.9	15.7	17.6	13.7	15.2	16.1	...	...
Ecuador												
Direct taxes	45.3	45.4	39.0	45.5	45.8	49.0	38.0	27.1	21.6	...	...	...
Petroleum sector	23.1	26.9	17.8	25.4	22.8	28.5	22.2	13.0	6.6	...	...	...
Indirect taxes	54.7	54.6	61.0	54.5	54.2	51.0	62.0	72.9	78.4	...	...	...
Petroleum sector	5.2	9.5	21.6	20.2	17.7	12.3	28.1	26.2	26.6	...	...	...

Table 14 (concluded)

Country and category	1977-1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Guatemala^c												
Direct taxes ^a	16.9	14.9	16.9	17.2	23.4	17.2	18.6	16.7	19.1	...	...	...
Indirect taxes	44.8	46.9	56.8	62.9	58.1	61.4	68.4	51.8	51.3	...	...	...
Taxes on foreign trade	38.2	38.2	26.2	19.9	18.4	21.5	13.0	31.4	29.6	...	...	...
Mexico												
Direct taxes	...	61.7	62.9	59.5	57.0	54.6	55.4	46.0	51.0	46.8	49.3	...
Petroleum sector	...	24.6	25.7	29.5	35.1	31.9	32.6	21.6	29.1	19.1	19.6	...
Indirect taxes	...	31.4	29.7	35.0	40.5	42.7	41.0	49.1	44.8	50.7	46.5	...
Petroleum sector	...	2.9	2.7	7.7	9.8	11.3	10.1	13.6	11.8	13.4	11.6	...
Taxes on foreign trade	...	6.9	7.4	5.4	2.6	2.7	3.6	4.9	4.3	2.5	4.2	...
Paraguay												
Direct taxes	...	22.0	24.3	25.8	25.6	19.6	22.2	22.0	23.5	20.6	...	...
Indirect taxes	...	35.4	35.6	44.1	46.8	53.5	54.6	55.0	52.5	53.0	...	...
Taxes on foreign trade	...	34.0	31.0	24.9	20.5	18.6	17.7	17.7	17.4	17.0	...	...
Local government taxes	...	8.6	9.1	5.2	7.1	8.4	5.5	5.3	6.5	9.4	...	...
Peru												
Direct taxes	25.8	35.4	26.5	26.0	23.1	21.4	16.8	28.2	25.0	28.2	20.3	...
Indirect taxes	42.3	33.5	35.6	40.5	48.1	53.0	58.4	51.3	56.8	56.1	61.3	...
Taxes on foreign trade	31.8	31.0	37.9	33.6	28.7	25.6	24.8	20.5	18.2	15.8	18.5	...
Uruguay												
Direct taxes ^a	17.5	18.8	14.6	14.1	18.2	13.7	15.8	17.0	16.8	17.0	...	...
Indirect taxes	71.8	72.0	75.9	72.9	69.8	76.4	74.2	72.6	72.0	71.7	...	...
Local government taxes	10.6	9.2	9.5	13.0	12.1	9.9	9.9	10.4	11.1	11.3	...	...
Venezuela												
Direct taxes	...	76.4	82.7	73.7	76.8	80.6	79.8	64.0	65.1	78.9	...	...
Petroleum sector	...	64.0	71.6	60.4	59.1	67.1	60.1	40.9	41.0	57.4	...	...
Indirect taxes	...	16.0	11.0	16.3	17.1	13.7	13.2	25.0	21.4	12.2	...	...
Taxes on foreign trade	...	7.6	6.3	10.0	6.2	5.7	7.0	11.0	13.6	8.9	...	...

Source: ECLAC, on the basis of figures provided by official sources and by the ECLAC/UNDP Regional Project on Fiscal Policies.

^a Central government only.

^b Includes earnings transferred over to central government.

^c Central government.

Table 15
**LATIN AMERICA: GENERAL GOVERNMENT TAX REVENUES,
 IN REAL TERMS^a**

Country	1977- 1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Indexes (1980 = 100)												
Argentina	83.1	100.0	90.8	79.4	79.7	77.8	88.6	93.9	92.4	77.5	85.1	72.2
Bolivia	...	100.0	115.7	71.0	47.1	37.9	105.8	163.1	143.3	145.2	132.3	140.9
Brazil	...	100.0	94.3	93.5	96.1	97.6	110.6	128.9	118.8	113.3	108.0	121.7
Colombia	96.6	100.0	87.7	91.8	94.3	88.9	107.1	124.8	130.0	132.7	133.1	138.1
Costa Rica	103.6	100.0	102.9	97.4	118.1	126.7	119.5	117.3	131.1	133.0	139.1	138.7
Chile	91.2	100.0	104.5	86.9	86.4	97.4	98.6	104.6	111.4	113.2	123.3	117.1
Ecuador	91.4	100.0	103.8	108.3	98.8	112.8	149.6	130.6	103.9	111.7	127.0	140.8
Guatemala	105.5	100.0	88.2	80.5	68.0	56.9	65.6	76.1	90.9	102.9	94.9	85.5
Mexico	...	100.0	108.5	114.8	129.5	130.8	131.3	124.1	130.8	130.4	140.6	138.1
Paraguay	...	100.0	98.2	101.9	78.9	85.9	89.6	87.9	97.6	104.9	104.9	100.2
Peru	75.9	100.0	87.2	86.7	62.9	71.4	85.5	79.4	64.5	59.6	32.2	31.5
Uruguay	83.0	100.0	105.2	83.3	79.8	68.3	78.8	89.3	97.0	102.6	93.6	100.8
Venezuela	...	100.0	131.2	101.2	78.3	86.6	74.9	67.2	69.8	63.8	64.0	77.6
Latin America	...	100.0	102.5	97.1	97.5	99.8	106.4	111.1	109.4	105.0	106.7	110.6
Percentage variation												
Argentina	17.6	-9.2	-12.5	0.3	-2.4	13.9	5.9	-1.6	-16.1	9.8	-15.2	
Bolivia	...	15.7	-38.6	-33.7	-19.7	179.4	54.3	-12.2	1.3	-8.9	6.5	
Brazil	...	-5.7	-0.9	2.8	1.6	13.3	16.5	-7.8	-4.6	-4.7	12.7	
Colombia	3.2	-12.3	4.7	2.7	-5.7	20.5	16.5	4.2	2.1	0.3	3.8	
Costa Rica	-2.6	2.9	-5.3	21.3	7.3	-5.7	-1.9	11.8	1.5	4.5	-0.3	
Chile	9.0	4.5	-16.8	-0.6	12.7	1.2	6.1	6.5	1.6	9.0	-5.0	
Ecuador	9.4	3.8	4.4	-8.8	14.2	32.6	-12.7	-20.4	7.5	13.7	10.9	
Guatemala	-5.2	-11.8	-8.7	-15.6	-16.3	15.3	16.0	19.4	13.2	-7.8	-9.9	
Mexico	...	8.5	5.8	12.8	1.0	0.4	-5.5	5.4	-0.3	7.8	-1.7	
Paraguay	...	-1.8	3.8	-22.5	8.8	4.4	-1.9	11.0	7.5	0.0	-4.5	
Peru	15.4	-12.8	-0.5	-27.5	13.5	19.7	-7.1	-18.8	-7.6	-45.9	-2.3	
Uruguay	18.5	5.2	-20.8	-4.2	-14.5	15.4	13.3	8.7	5.7	-8.8	7.7	
Venezuela	...	31.2	-22.9	-22.6	10.7	-13.5	-10.3	3.9	-8.5	0.3	21.3	
Latin America	...	2.5	-5.3	0.5	2.4	6.6	4.4	-1.5	-4.0	1.6	3.6	

Source: ECLAC, on the basis of figures provided by official sources and by ECLAC/UNDP Regional Project on Fiscal Policies.

^a Calculated on the basis of figures expressed in dollars at constant 1980 prices.

Table 16
**LATIN AMERICA: TAX BURDEN, TAX REVENUES AND
 GROSS DOMESTIC PRODUCT ^a**

Country	Tax burden (percentage of GDP)			Real fiscal income ^b (index: 1980=100)	Gross domestic product (index: 1980=100)
	1980-1981 (1)	1988-1990 (2)	(2-1)	1988-1990	1988-1990
Argentina	18.1	15.9	-2.1	78.3	89.9
Bolivia	10.7	14.5	3.8	139.4	96.0
Brazil	14.5	14.3	-0.1	120.2	118.3
Colombia	12.5	13.1	0.6	134.6	138.4
Costa Rica	14.1	15.6	1.5	136.9	120.4
Chile	20.6	19.3	-1.4	117.9	127.1
Ecuador	16.8	17.2	0.4	126.5	123.3
Guatemala ^b	8.1	7.8	-0.3	94.4	104.8
Mexico	14.9	18.0	3.1	136.4	113.1
Paraguay	8.6	7.1	-1.5	103.4	131.3
Peru	14.5	6.6	-7.9	41.1	96.5
Uruguay	17.4	16.9	-0.5	99.0	99.9
Venezuela	27.1	15.4	-11.6	68.5	103.0
Latin America	16.0	15.2	-0.9	107.4	112.4

Source: ECLAC, on the basis of figures provided by official sources and by the ECLAC/UNDP Regional Project on Fiscal Policies.

^a Calculated on the basis of figures expressed in dollars at constant 1980 prices.

^b Central government only.

Table 17
LATIN AMERICA: SAVINGS OF PUBLIC INTERPRISES,
IN REAL TERMS^a

Country	1977- 1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Percentage of GDP											
Argentina	2.2	0.4	1.6	0.2	-0.1	0.6	1.0	1.9	1.8	1.0	0.9
Bolivia	...	7.0	2.7	3.7	1.8	0.6	1.7	0.7	-2.5	...	...
Brazil	...	3.8	3.6	2.6	3.0	3.2	3.2	3.6	3.7	3.6	3.2
Colombia	3.2	3.4	2.5	3.0	2.6	3.7	3.8	5.4	4.1	4.2	5.1
Costa Rica	3.0	7.7	9.3	9.9	12.6	13.4	11.5	13.4	11.4	...	...
Chile	6.9	6.9	5.4	7.2	7.9	7.4	10.1	9.4	8.9	14.2	...
Ecuador	3.3	2.3	1.6	0.6	1.7	2.6	2.5	2.0	1.8	...	...
Mexico	...	3.3	2.2	3.7	5.0	5.1	3.7	2.8	3.2	2.9	2.1
Paraguay	...	1.9	1.5	1.9	2.0	1.6	2.9	1.8	2.1	2.1	...
Peru	4.7	6.8	5.8	6.8	9.3	8.8	10.9	6.6	4.7	2.3	1.1
Uruguay	1.6	2.4	1.9	2.0	2.5	4.5	2.9	3.4	2.2	2.5	...
Venezuela	...	7.5	-1.2	2.4	1.0	4.3	3.5	3.8	4.4	2.4	...
Indexes (1980 = 100)											
Argentina	584.5	100.0	428.0	55.1	-28.3	152.7	254.2	514.8	501.2	264.6	225.1
Bolivia	...	100.0	38.7	51.0	24.0	7.5	21.5	8.4	-32.6	...	...
Brazil	...	100.0	90.6	66.2	72.8	82.1	88.7	108.1	113.6	109.7	101.1
Colombia	89.3	100.0	76.6	91.0	82.0	119.0	130.0	193.6	155.9	166.9	211.0
Costa Rica	37.6	100.0	118.1	115.5	151.6	174.1	150.8	185.1	164.6	...	...
Chile	88.9	100.0	82.4	95.6	103.8	102.4	143.8	140.8	141.9	241.8	...
Ecuador	137.9	100.0	73.3	27.8	75.9	123.4	122.7	104.9	83.5	...	...
Mexico	...	100.0	72.1	122.2	156.8	166.2	123.0	92.1	106.1	95.6	71.1
Paraguay	...	100.0	85.2	109.9	110.2	91.3	171.9	108.7	129.3	137.8	...
Peru	63.6	100.0	89.0	104.6	125.9	124.8	158.1	104.1	80.1	35.9	15.6
Uruguay	59.2	100.0	77.7	76.7	88.6	156.4	101.0	130.0	91.9	102.3	...
Venezuela	...	100.0	-16.1	30.4	12.3	52.6	42.5	49.0	59.0	...	...

Source: ECLAC, on the basis of figures provided by official sources and by the ECLAC/UNDP Regional Project on Fiscal Policies.

^a Calculated on the basis of figures expressed in dollars at constant 1980 prices.

Table 18
LATIN AMERICA: TAX BURDEN AS COMPARED TO THOSE OF
COUNTRIES IN OTHER REGIONS, 1987-1989 AVERAGES
(Coefficients in relation to GDP)

	Total fiscal burden	Social security tax burden	Tax burden ^a	Direct tax burden ^b
OECD				
Sweden	56	14	42	24
France	44	19	25	8
Germany	38	14	24	13
Italy	37	12	25	13
United Kingdom	37	7	30	14
Spain	33	12	22	10
United States	30	9	21	13
South-East Asia				
Singapore	9	-	15	8 ^c
Malasya	25	-	17	8
Republic of Korea	19	1	16	6
Indonesia	18	-	15	10 ^c
Thailand	17	-	15	4
Philippines	13	-	12	3 ^c
Latin America				
Chile	25	2	20	3
Costa Rica	25	7	16	3 ^d
Uruguay	25	7	16	3 ^d
Argentina	23	4	17	3 ^d
Ecuador	23	3	16	3 ^d
Venezuela	23	1	15	3 ^c
Mexico	22	2	18	5
Colombia	22	1	13	4
Brazil	21	4	14	4
Bolivia	19	3	16	1 ^d
Paraguay	10	2	8	2
Peru	9 ^c	1	8	2 ^d
Guatemala	9	...	8	2 ^d

Source: OECD countries: Organization for Economic Cooperation and Development OECD, *Revenue Statistics of OECD Countries, 1965-1990*, Paris, 1991; Latin American countries: BCLAC/UNDP Regional Project on Fiscal Policies: South-East Asian countries: International Monetary Fund (IMF), *Government Financial Statistics Yearbook, 1990*, Washington, D.C., 1990.

^a Does not include social security or non-tax revenues. ^b For OECD countries, includes personal and corporate income taxes. For Latin American countries, includes all direct taxes except those paid by public enterprises. ^c 1987-1988 average. ^d 1987.

Table 19
**LATIN AMERICA: SAVINGS AND FINANCING NEEDS OF
NON-FINANCIAL PUBLIC SECTOR**
(As percentages of GDP)

Country and category	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Argentina											
Savings	1.2	-4.7	-7.4	-6.0	-4.5	0.1	1.6	-0.1	-2.9	-2.3	-1.2
Capital income	0.9	1.1	0.8	0.5	0.4	1.0	1.1	0.7	...	...	...
Capital expenditure	9.5	9.6	8.6	9.7	7.8	7.1	7.5	8.2	8.6	6.5	5.3
Financing needs	7.5	13.2	15.1	15.2	11.9	6.0	4.7	7.6	11.5	8.8	6.5
- General government	4.2	11.4	11.9	11.2	8.9	4.1	3.9	5.8	...	...	...
Social security	0.0	0.0	0.0	0.1	0.0	-1.1	-1.3	-0.9	...	...	...
- Enterprises	3.2	1.9	3.2	4.0	3.0	1.9	0.8	1.8	...	...	...
Bolivia											
Savings	-1.0	-0.8	-0.9	-6.9	-12.3	-4.0	1.6	-1.9	...	...	...
Capital income	0.4	0.6	0.1	0.2	0.2	0.2	1.3	0.2	...	...	...
Capital expenditure	7.3	6.2	5.9	4.5	4.8	4.6	5.9	6.6	...	...	...
Unspecified expenditure	0.0	1.3	7.5	6.7	9.7	2.5	0.0	0.0	...	...	...
Financing needs	7.8	7.6	14.2	17.9	26.6	10.9	3.1	8.3	...	...	...
- General government	10.2	6.7	13.5	16.9	24.3	10.8	1.5	0.7	...	...	...
Social security	0.0	0.0	0.0	0.0	0.5	0.1	0.2	0.6	...	...	...
- Enterprises	-2.4	0.8	0.7	1.1	1.8	0.0	1.3	7.0	...	...	...
Brazil											
Savings	7.0	6.2	2.9	1.6	1.9	1.6	4.6	1.3	0.3	...	...
Capital income	...	...	...	...	...	...	...	...	...	...	...
Capital expenditure	9.0	10.2	7.9	6.6	6.1	6.8	9.0	8.2	7.8	...	...
Financing needs	2.0	3.9	5.0	5.1	4.2	5.2	4.5	7.0	7.4	...	...
- General government	0.4	1.5	2.4	3.8	3.5	4.5	4.6	6.9	7.4	...	...
Social security	0.8	0.4	0.3	0.5	0.0	0.1	-0.2	0.2	0.5	...	...
- Enterprises	1.6	2.4	2.6	1.2	0.7	0.7	-0.2	0.1	0.0	...	...
Colombia											
Savings	3.8	2.2	2.5	1.2	3.1	4.5	7.4	5.0	5.0	4.9	...
Capital income	0.7	0.8	0.2	0.5	0.2	0.2	0.2	0.3	0.3	0.3	...
Capital expenditure	7.1	8.4	8.7	9.3	9.6	8.7	7.9	7.2	7.5	7.1	...
Financing needs	2.6	5.3	6.0	7.6	6.3	4.0	0.3	1.9	2.2	1.9	...
- General government	0.9	2.0	3.0	3.4	2.9	0.3	0.5	1.7	1.8	...	...
Social security	0.6	0.9	1.6	1.2	1.1	0.9	0.9	0.8	0.0	...	...
- Enterprises	1.7	3.3	3.0	4.2	3.4	3.7	-0.2	0.2	0.4	...	...
Costa Rica											
Savings	3.6	9.5	7.3	12.5	14.8	13.2	14.2	13.9	...	...	...
Capital income	...	...	...	...	...	...	...	...	...	...	...
Capital expenditure	13.0	10.7	10.9	11.4	9.9	9.5	12.4	10.6	...	...	...
Financing needs	9.3	1.2	3.6	-1.1	-4.9	-3.6	-1.8	-3.3	...	...	...
- General government	13.6	5.8	9.4	8.0	5.4	4.8	8.0	5.3	...	...	...
Social security	1.2	0.9	1.0	-0.2	-0.4	-0.3	-0.3	-0.6	...	...	...
- Enterprises	-4.3	-4.6	-5.7	-9.1	-10.4	-8.5	-9.8	-8.7	...	...	...
Chile											
Savings	10.4	5.1	-1.3	-0.5	0.3	3.6	4.8	5.4	...	...	...
Capital income	2.2	3.2	7.8	3.9	3.5	3.3	3.9	4.5	...	...	...
Capital expenditure	7.3	7.9	10.4	6.9	8.5	9.7	10.7	10.3	...	...	...
Financing needs	-5.4	-0.4	3.9	3.5	4.6	2.9	2.0	0.3	...	...	...
- General government	-1.1	2.5	8.5	8.7	8.2	9.0	6.7	5.3	...	...	...
Social security	1.9	3.7	5.1	5.2	6.2	6.1	5.9	5.7	5.3	...	...
- Enterprises	-4.3	-2.8	-4.6	-5.2	-3.6	-6.1	-4.7	-5.0	...	...	...

Table 19 (concluded)

Country and category	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Ecuador											
Savings	6.7	5.7	3.8	6.8	9.1	12.2	7.6	5.8	...	...	...
Capital income	...	...	...	...	...	...	...	...	...	...	...
Capital expenditure	14.1	14.2	11.0	12.0	10.3	12.0	11.3	10.3	...	...	...
Financing needs	7.4	8.5	7.2	5.2	1.2	-0.2	3.7	4.4	...	...	...
- General government	6.5	7.3	4.3	3.9	1.7	0.4	2.3	3.2	...	...	...
Social security	-1.2	-1.2	-1.2	-1.2	-1.0	-1.0	-1.4	-1.3	...	...	...
- Enterprises	0.9	1.1	2.8	1.3	-0.4	-0.7	1.4	1.2	...	...	...
Guatemala^d											
Savings	0.9	-0.2	0.2	0.2	-1.1	0.2	0.0	-0.3	...	...	...
Capital income	0.0	0.0	0.0	0.0	0.0	0.0	0.4	1.1	...	...	...
Capital expenditure	5.6	7.2	5.0	3.5	2.8	2.1	1.9	2.1	...	...	...
Financing needs	4.7	7.4	4.7	3.3	3.8	1.8	1.5	1.3	...	...	...
- Central government	4.7	7.4	4.7	3.3	3.8	1.8	1.5	1.3	...	...	...
Mexico											
Savings	1.4	-3.9	-7.8	-2.8	-2.1	-3.4	-9.9	-10.1	-5.4	-2.2	...
Capital income	...	...	...	...	...	...	...	...	...	...	...
Capital expenditure	7.9	9.1	7.8	5.3	5.0	4.7	4.6	4.3	3.8	3.3	...
Financing needs	6.5	13.0	15.6	8.1	7.1	8.0	14.5	14.4	9.2	5.4	...
- General government	4.5	9.0	14.1	9.4	8.9	8.7	14.4	14.9	9.4	5.2	...
Social security	0.8	0.5	0.6	0.2	0.1	0.2	0.2	0.1	-0.1	0.2	...
- Enterprises	2.1	4.0	1.4	-1.2	-1.7	-0.7	0.1	-0.5	-0.2	0.2	...
Paraguay											
Savings	5.3	3.2	2.8	1.6	2.0	3.9	3.3	3.8	4.3	...	...
Capital income	1.2	0.9	2.6	1.4	1.5	1.1	0.9	1.6	1.5	...	...
Capital expenditure	5.1	6.2	5.5	6.9	8.4	6.5	5.2	5.8	6.7	...	...
Financing needs	-1.3	2.1	0.1	4.0	4.9	1.5	0.9	0.4	0.9	...	...
- General government	-1.5	1.7	-0.6	1.5	1.9	0.9	-1.2	0.1	-1.2	...	...
Social security	-0.4	-0.3	-0.2	-0.3	-0.1	-0.1	-0.2	-0.2	-0.1	...	...
- Enterprises	0.2	0.4	0.7	2.5	3.0	0.6	2.1	0.3	2.2	...	...
Peru											
Savings	2.6	0.6	0.0	-2.5	0.8	3.3	0.2	-2.5	-3.7	-2.9	...
Capital income	0.5	0.7	1.2	0.9	0.6	0.5	0.3	0.3	0.4	0.0	...
Capital expenditure	7.0	7.9	8.7	8.7	8.1	6.4	5.5	4.4	4.0	2.7	...
Financing needs	3.9	6.6	7.5	10.3	6.7	2.6	5.0	6.6	7.3	5.5	...
- General government	7.7	9.0	9.4	14.3	10.9	10.1	9.4	9.6	7.6	5.7	...
Social security	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...
- Enterprises	-3.8	-2.4	-1.9	-4.0	-4.2	-7.5	-4.4	-3.0	-0.3	-0.2	...
Uruguay											
Savings	5.0	2.9	-3.7	0.4	0.2	1.4	3.2	2.7	...	...	...
Capital income	...	...	...	...	...	...	...	...	...	...	...
Capital expenditure	3.7	4.4	6.7	3.8	4.2	3.3	3.5	3.3	...	...	...
Financing needs	-1.3	1.5	10.4	3.4	4.0	1.9	0.3	0.7	...	...	...
- General government	-0.6	1.2	8.4	4.5	6.7	3.1	1.6	1.5	...	...	...
Social security	2.7	3.9	6.3	4.7	3.7	2.6	2.3	3.1	...	...	...
- Enterprises	-0.8	0.3	2.1	-1.1	-2.6	-1.2	-1.3	-0.8	...	...	...
Venezuela											
Savings	17.2	14.2	10.2	8.1	11.5	10.2	9.4	11.4	5.0	...	...
Capital income	6.5	8.7	7.8	7.3	6.9	3.5	3.7	0.5	1.6	...	...
Capital expenditure	16.4	14.8	16.5	13.9	11.5	8.7	12.0	10.5	12.1	...	...
Financing needs	-7.3	-8.1	-1.4	-1.6	-6.9	-5.0	-1.1	-1.5	5.5	...	...
- General government	-5.8	-11.5	-3.0	-3.9	-5.2	-5.1	-0.6	-1.7	0.9	...	...
Social security	-0.1	-0.1	-0.2	0.2	0.1	0.1	0.3	0.0	0.0	...	...
- Enterprises	-1.4	3.6	1.8	2.1	-1.8	0.0	-0.8	0.2	4.6	...	...

Source: ECLAC, on the basis of figures provided by official sources and by the ECLAC/UNDP Regional Project on Fiscal Policies.

Table 20
LATIN AMERICA: NET TRANSFER OF EXTERNAL CREDIT-RELATED RESOURCES TO THE PUBLIC SECTOR

Country	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Millions of dollars													
Argentina	139	941	1 662	852	-246	2 428	-115	-2 054	-681	-2 312	-1 672	-2 057	-1 753
Bolivia	291	177	65	151	92	-45	-139	-93	-112	171	92	80	92
Brazil	2 758	5 084	3 136	196	943	493	572	1 873	-4 540	-4 122	-5 405	-7 430	-4 694
Colombia	62	-93	342	487	641	358	442	656	432	739	-1 155	-530	-826
Costa Rica	149	56	134	226	112	35	-175	-90	-146	-213	-96	-196	-164
Chile	-215	256	93	-517	-566	278	876	365	133	-517	-626	-231	-980
Ecuador	460	325	138	415	647	-830	-265	-170	-307	158	82	32	-77
Mexico	3 214	2 228	575	1 241	4 775	2 500	-4 236	-6 139	-6 640	-5 347	-1 705	-5 413	-6 664
Peru	651	86	192	-259	-386	597	760	878	51	28	141	127	201
Uruguay	-18	-11	65	76	114	207	198	-221	-187	-130	-139	-229	-135
Venezuela	1 201	1 755	2 313	-84	-311	-928	-260	-2 015	-2 058	-2 660	-2 274	-1 516	-1 326
Total	8 692	10 804	8 715	2 784	5 815	5 093	-2 342	-7 010	-14 055	-14 205	-12 757	-17 363	-16 326
Percentages of GDP													
Argentina	0.3	1.5	1.6	0.6	-0.2	3.6	-0.2	-2.6	-1.0	-2.9	-2.1	-2.3	-2.0
Bolivia	9.3	5.7	1.8	3.7	2.4	-1.7	-5.0	-1.6	-2.9	5.2	2.8	1.9	1.9
Brazil	1.5	2.6	1.4	0.1	0.3	0.2	0.3	0.9	-2.0	-1.5	-1.8	-2.1	-1.2
Colombia	0.3	-0.4	1.1	1.5	1.8	0.9	1.2	1.5	1.3	2.1	-3.1	-1.3	-2.0
Costa Rica	4.8	1.6	3.3	5.0	4.1	1.4	-5.7	-2.4	-3.7	-4.8	-2.1	-4.1	-3.0
Chile	-1.7	1.8	0.5	-2.0	-1.9	1.2	4.6	2.1	0.9	-3.1	-3.3	-1.0	-3.9
Ecuador	7.2	4.1	1.5	3.6	4.8	-6.5	-2.4	-1.5	-2.5	1.4	0.8	0.3	-0.7
Mexico	4.3	2.2	0.4	0.6	1.8	1.5	-3.1	-3.5	-3.7	-4.2	-1.2	-3.1	-3.3
Peru	4.8	0.7	1.3	-1.2	-1.6	2.4	4.0	4.4	0.3	0.1	0.4	0.4	0.6
Uruguay	-0.4	-0.2	0.9	0.7	1.0	1.9	3.4	-4.2	-3.6	-2.0	-1.8	-2.9	-1.6
Venezuela	3.3	4.4	4.8	-0.1	-0.5	-1.4	-0.4	-3.3	-3.3	-5.2	-4.5	-2.8	-3.2
Total	2.1	2.3	1.4	0.4	0.7	0.7	-0.4	-1.1	-2.2	-2.2	-1.8	-2.2	-1.9

Source: World Bank, *World Debt Tables, 1988-1989 Edition*, Washington, D.C., 1989, and *World Debt Tables, 1990-1991 Edition*, Washington, D.C., 1990.

Table 21
**LATIN AMERICA: NET TRANSFER OF EXTERNAL RESOURCES
 TO THE PUBLIC SECTOR^a AS A PROPORTION
 OF CURRENT PUBLIC INCOME^b**
(Percentages)

Country	Before crisis		During crisis	
	Period	Annual average	Period	Annual average
Argentina	80-82	7	83-87	-7
Bolivia	80-81	16	82-85 86-87	-28 19
Brazil	80-82	1	83-84 85-88	3 -8
Costa Rica	80-82	12	83-87	-11
Ecuador	80-81	24	82-85 86-87	-20 6
Peru	80-81	-8	82-84 85-89	21 4
Colombia	80-82	8	83-86 87-89	8 -10
Chile	80-81	-5	82-84 85-87	7 -5
Mexico	80-82	6	83-86 87-89	-15 -11
Uruguay	80-83	6	84-87	-11
Venezuela	80-83	-2	84-87	-14

Source: ECLAC, on the basis of figures provided by official sources and the World Bank.

^a Interest and amortization payments by the public sector less disbursements received by the public sector. ^b Includes total income of general government plus the surplus or deficit recorded by public enterprises.

Cuadro 22
LATIN AMERICA: FINANCING OF GENERAL
GOVERNMENT'S DEFICIT
(As percentages of GDP)

Country and category	1977-1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Argentina												
Deficit or surplus	-5.9	-7.5	-13.2	-15.3	-15.2	-11.9	-6.0	-4.7	-7.2	-9.0	-7.7	-5.4
External financing	1.7	1.9	4.3	1.4	0.6	-0.9	1.0	1.1	3.2	2.1	-2.8	2.6
Internal financing	4.2	5.6	8.9	14.0	14.6	12.8	5.1	3.7	4.1	6.9	10.5	2.8
Bolivia												
Deficit or surplus	...	-8.4	-8.2	-13.2	-18.0	-23.6	-10.9	-3.0	-8.2	...	...	...
External financing	...	5.3	3.9	0.7	-1.4	2.8	4.9	7.0	2.7	...	...	...
Internal financing	...	2.5	3.6	13.6	19.3	23.7	5.9	-4.0	5.6	...	...	...
Brazil												
Deficit or surplus	...	1.2	2.1	3.2	2.5	2.2	2.1	0.2	-0.4	-0.1	...	...
External financing	...	0.9	1.6	1.9	0.7	1.9	0.0	-1.0	-1.4	-1.1	...	...
Internal financing	...	0.4	0.5	1.3	1.8	0.2	2.2	1.2	1.0	1.0	...	...
Colombia												
Deficit or surplus	-0.5	-2.6	-5.3	-6.0	-7.6	-6.3	-4.0	-0.3	-1.9	-2.2	-1.9	...
External financing	1.1	1.9	2.8	2.4	2.4	1.9	2.3	2.1	-0.7	2.3	0.5	...
Internal financing	-0.5	0.7	2.5	3.6	5.2	4.4	1.7	-1.8	2.6	-0.1	1.4	...
Costa Rica												
Deficit or surplus	-14.0	-12.7	-4.6	-6.9	-0.9	-0.2	-0.8	-2.0	-0.4	...	...	...
External financing	9.8	5.9	2.7	0.3	0.3	2.9	-31.4	5.9	1.7	...	...	...
Internal financing	4.2	6.8	1.9	6.6	0.5	-2.7	32.2	-3.9	-1.3	...	...	...

Table 22 (concluded)

Country and category	1977-1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Ecuador												
Deficit or surplus	-1.1	-1.2	-0.1	-2.5	-1.3	0.0	0.2	-2.1	-1.4	...	...	...
External financing	0.0	1.0	-0.1	0.0	-0.8	0.9	0.4	2.4	0.0	...	...	...
Internal financing	1.1	0.2	0.1	2.5	2.1	-0.9	-0.5	-0.3	1.4	...	...	...
Guatemala												
Deficit or surplus	-1.8	-4.7	-7.4	-4.7	-3.3	-3.8	-1.8	-1.5	-1.3	...	...	...
External financing	0.9	1.4	1.1	1.1	0.9	0.2	0.7	0.6	0.5	...	...	...
Internal financing	1.6	3.4	6.1	5.5	2.2	1.3	2.5	2.4	1.8	...	...	...
Paraguay												
Deficit or surplus	...	0.4	-2.7	-0.9	-4.6	-5.4	-2.0	-1.4	-0.9	-1.4	...	...
External financing	...	0.5	0.9	1.0	3.5	4.2	0.9	2.7	0.5	2.3	...	...
Internal financing	...	-0.8	1.8	-0.1	1.0	1.2	1.1	-1.3	0.4	-0.9	...	...
Peru												
Deficit or surplus	-4.9	-3.9	-6.7	-7.6	-10.2	-6.6	-2.7	-5.1	-6.6	-7.5	-5.5	...
External financing	2.8	0.8	1.7	6.0	5.7	4.8	4.2	2.5	1.4	2.1	1.5	...
Internal financing	2.1	3.1	5.0	1.6	4.5	1.8	-1.5	2.6	5.2	5.4	4.0	...
Uruguay												
Deficit or surplus	-0.5	1.1	-1.8	-11.1	-4.0	-4.5	-2.3	-0.5	-0.7	...	...	...
External financing	1.1	0.6	1.8	3.1	-0.4	0.6	3.7	0.9	2.3	...	...	...
Internal financing	-0.6	-1.7	0.0	8.0	4.4	3.9	-1.4	-0.4	-1.6	...	...	...

Source: ECLAC, on the basis of figures provided by official sources and by the ECLAC/UNDP Regional Project on Fiscal Policies.

Table 23
LATIN AMERICA: INFLATION TAX^a
(As percentages of GDP)

Country	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Argentina ^b	5.7	7.3	11.0	10.3	5.3	4.0	4.6	5.3	9.6	5.3
Bolivia	2.0	13.7	13.6	20.8	10.5	1.7	0.5	1.3	1.2	1.4
Brazil	2.0	1.9	2.4	2.5	3.0	1.4	5.3	4.6	4.9	5.5
Chile ^b	0.5	1.1	1.1	1.0	1.0	0.7	0.9	0.6	0.9	1.0
Colombia	2.1	1.9	1.3	1.3	1.5	1.4	1.6	1.9	1.6	1.9
Costa Rica	8.2	8.9	1.2	2.1	1.5	2.5	2.6	4.0	1.8	4.4
Ecuador	1.6	1.9	3.0	1.5	1.1	1.7	2.3	4.4	2.7	2.6
El Salvador	0.6	1.2	2.0	1.2	3.5	2.8	1.6	1.5	1.8	1.3
Guatemala	0.6	-0.2	0.7	0.4	2.4	1.9	1.0	0.9	1.7	3.6
Haiti	2.3	0.7	1.4	0.7	2.1	-1.9	-0.4	1.3	1.9	0.2
Honduras	0.6	0.6	0.5	0.2	0.3	0.2	0.2	0.4	0.8	2.4
Mexico	3.5	10.5	8.2	5.7	5.0	5.4	4.8	1.5	0.7	0.9
Nicaragua ^b	3.9	3.5	5.0	10.0	30.1	21.8	13.7	12.2	2.6	5.9
Paraguay	0.9	1.0	1.7	3.4	2.5	2.4	3.4	1.9	3.1	4.1
Peru	3.0	2.5	2.9	2.3	3.2	4.1	5.2	11.1	5.6	4.8
Dominican Republic	0.6	0.6	0.7	2.8	1.9	0.7	2.1	4.2	3.3	5.5
Uruguay ^b	1.9	1.4	2.8	2.8	3.5	3.1	2.5	3.0	3.3	3.8
Venezuela	0.8	0.6	0.7	1.8	1.1	1.2	2.6	1.8	2.9	1.9

Source: ECLAC, on the basis of official figures.

^a Calculated with reference to the monetary base except where indicated otherwise. ^b Calculated with reference to M₁, either because other information was unavailable or because financial institutions' interest-bearing deposits in the Central Bank were included.



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