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The political economy of peripheral tax reform: the Spanish fiscal transition

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Abstract

The Spanish fiscal system underwent profound reforms between 1977 and 1986, in close connection to the transition from dictatorship to democracy. These were meant to bring the country towards the welfare state model of its European neighbours. Some practical results in terms of progressivity and redistribution, however, were not outstanding, and inequality did not significantly decrease after democratization. In recent times, the system has shown its incapacity to sustain European-level welfare services. Can a historical analysis help us understand the constraints faced by this young welfare state in the periphery?

This paper looks at two factors in the political economy of tax reform: social preferences and the decision-making institutions. Perhaps the general citizen – or the decisive voter – was not very keen on redistribution. Alternatively, the new political system might not have translated effectively the public stances onto policies. Furthermore, at this time of the transition, international developments were changing the emphasis from equity to efficiency in tax system design, and increasing capital mobility provided an enhanced capacity to escape from taxation.

Keywords: redistribution, tax reform, public policy, democratization, distributive preferences

JEL Codes: D72, D78, H20, N44

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Introduction

The history of 20th century taxation is one of growth. In developed countries, tax capacity expansion and welfare state building went hand in hand, fundamentally changing how public finances were conceived before the world wars, the great depression, and modern revolutions. The road to redistribution and cohesive societies, however, was not taken by all – or not at the same time. In this paper I address the possibilities to fund a fully operative welfare state after recent democratization – past the golden age of economic growth in western economies, and during the second globalization.

The Spanish fiscal system underwent deep changes along with the country's transition to democracy. A tax reform was initiated in 1977, with the objectives of increasing direct tax revenue and modernizing the model, to provide funding for a nascent welfare state (Pan-Montojo, 1996; Espuelas, 2013). It also proclaimed progressivity as a guiding principle. However, a recent quantitative study (Torregrosa, 2015b) established the limited results with respect to this dimension. Low revenue from the upper classes constrained in turn the redistributive effects of the welfare system.

So why was the objective of tax equity not attained? Was progressivity not a real social demand, or did it face other obstacles? In the following, I analyse the process of tax policy formulation, with a special focus on attitudes towards equality and the distribution of the tax burden. We will look at two interrelated aspects: social preferences, and the mechanisms of their translation into actual policies. The study is based on primary sources, and applies interpretative frameworks from international literature.

Demand for redistribution is the result of a complex process. The evolution of ideas plays a role: what society thinks about fairness in the income distribution, and the capacity of tax systems to approach whatever the desired ideal might be (Steinmo, 2003). Prevailing economic theory about taxation has changed deeply since the mid 20th century: from defence of progressivity to extended attacks on it as an obstacle to efficiency, from comprehensive taxation to privileged treatment of capital incomes. On the other hand, inequality and its perceptions will also condition social demands, and the possible formation of different interest coalitions (Kristov et al., 1992; Lupu and Pontusson, 2011). To approach Spanish attitudes towards tax equity, and their evolution during the democratic transition, I resort to sociological surveys, the press, and political debates.

Our second question deals with the translation of citizen preferences into political measures. In the period under analysis, an authoritarian decision-making mechanism was replaced by a parliamentary one, based on political parties. Did that mean going from the “only voter” of francoism to the “median” or “swing” voter of democratic political economy? To what extent were social demands reflected in policies? How can we explain a certain degree of persistence in tax incidence, despite extensive fiscal reforms?

The academic debate on democratic transitions and the determination of redistribution levels is rich and diverse. Meltzer and Richard (1981)'s classic work predicted an

increase in redistribution after an extension of the franchise, applying the median voter theorem. These authors' model was followed by a rich tradition of studies, assuming a link between inequality and redistribution. Such relationship, however, has been questioned by later work, which suggests more complex interpretations (e.g. Saint Paul and Verdier, 1996; Perotti, 1996). Some models of regime change and distributive conflict point towards avenues for policy persistence. Acemoglu and Robinson (2001; 2008) underline the possibility that the elite may *de facto* block the implementation of aggressive redistributive policies, with the threat of economic or even political reversal. Albertus and Menaldo (2014) take a similar stance. Boix (2003) also considers high redistribution as a potentially destabilising factor for democracy: thus, democratic transitions would be more likely under low levels of inequality, and higher capacity of capital in the country to escape from taxation.

The Spanish case could be read in this framework, by analysing the impact of the regime configuration during its early years on the distribution of political power. Here I will focus on the electoral system, the design of which has been explained by its expected effects. Even though it is formally proportional (which would favour the introduction of redistributive policies, according to Persson and Tabellini, 2003 or Iversen and Soskice, 2006), in its actual operation it deviates significantly, favouring conservative stances (Gunther, 1989; Montero and Riera, 2009). Differences in political participation would further extend this bias, given that lower turnout of low income groups generally decreases the chances of pro-redistribution parties (Montero, 1986).

Comparative literature has analysed the relationship between political institutions and the level of progressivity and redistribution achieved in different societies. Steinmo (1989) related the Swedish political system – centralized, proportional and corporatist – with relatively regressive taxes, which had nonetheless high revenue capacity to finance redistributive spending. In contrast, the Anglo-Saxon model was characterized by more progressive but lower taxes. Do these ideas apply to the experience of laggard countries like Spain?

In the globalised world of the late 20th century, capital mobility and tax competition are key factors for understanding the pressures against fiscal progressivity. During the period of study, Spain was increasing its economic openness, with the milestone of accession to European Economic Community (EEC) in 1986 and the subsequent construction of the common market and the European Monetary Union (EMU). Nevertheless, even before that, substantial international flows of capital existed (including illegal offshore movements). Our final section therefore explores the international dimension.

But let us first look at the tax reform and the effects it had on the income distribution.

Inequality and taxes during the democratic transition

The roots of tax reform were deep. During the first half of the 1970s, some projects had been developed around professor Enrique Fuentes Quintana and the *Instituto de Estudios Fiscales* (an organism dependent of the Public Finance Ministry). These suggested the adoption of a European taxation model in Spain, where personal income taxation would be at the centre, together with wealth, inheritance, and value-added taxes. This system was to be fairer, more efficient and also more flexible, providing with higher revenue, which was needed to make the state meet the needs of a new stage of development, in the minds of its proponents. It also meant convergence with Europe, and would thus facilitate a desired process of integration in the EEC (Instituto de Estudios Fiscales, 1973, 1976).

The proposals of the institute were rejected when presented by the minister Alberto Monreal to Franco's government, in June 1973. The plan was hidden from public knowledge, and the minister dismissed. After this episode, Fuentes Quintana and his group came to be convinced that a modernising tax reform of this kind would only be possible in a democratic context.¹

Precisely, the first law of the new democratic Parliament in November 1977 was the beginning of this reform. The new Public Finance minister, Francisco Fernández Ordóñez (of the centrist coalition *Unión de Centro Democrático*, UCD), presented a comprehensive project. It consisted of a first set of "urgent" measures, a reform of direct taxation around the personal income tax, and of indirect taxation around a value added tax. All were understood as part of the same process of change, but not all of them could finally be passed during the first legislatures. In 1977, a wealth tax was introduced, together with measures to fight tax evasion (lifting of banking secrecy, introduction of tax offence, and related issues). The personal income tax came to force in 1979, as the main milestone of this evolution; the value added tax, however, was only introduced in 1986, as a condition for accessing the EEC under the Socialist governments. The wealth tax had symbolic importance, but scarce real effects; it was transitory until new regulations were set in place in 1991. Similarly, a new inheritance tax was delayed until 1987.

Fernández Ordóñez was a proponent of progressivity (or, at least, of a strong decrease in the regressive nature of the existing system) and of an expansion of public services. He also placed huge importance on fighting tax evasion, not only in legal terms, but by fostering voluntary compliance, introducing a new era in the relations between the (now) citizens and the (now democratic) state, based on responsibility and fair exchange. In his mindset, reducing inequality through the tax system was less conflictive than attempting to do it in the salary negotiations, and this was central for the legitimation of the capitalist economy, particularly in a crisis context as the one at the time:

¹Fuentes Quintana made this point for example in *ABC*, 19th May 1977, p. 65: "*La reforma fiscal será inviable sin un sistema democrático*".

*“The fragile Spanish economy is going through difficult times, and we think that adequate restructuring will only be possible if there is fairness in the distribution of sacrifices and the part of effort that we all must share. As much as we respect the market economy as the main instrument for obtaining resources, we firmly demand the public sector’s correcting action through the tax system and redistributive expenditure”.*²

A reform of the Social Security system, whose budget was as big as that of all the rest of Public Administrations, was also envisaged at the time. Social contributions were strongly regressive, because they were not assessed on real wages but on “bases” established by decree for different workers’ categories, and they acted as a significant tax wedge, probably affecting employment levels.³ The main demand in the late seventies was to integrate Social Security in the public budget, and increase the participation of general taxation on financing its expenditures (or fully funding them by taxes). But changes did not go that far during the first decade of democracy: administrative reorganisation in 1978 improved transparency, but the contributive system remained very much unchanged until the end of the eighties.

The reform measures, nevertheless, managed to modernize public finances to a great extent, and allowed an increase in revenues and the funding of a nascent welfare state (Albi, 1990; Fuentes Quintana, 1990). However, previous research has shown that inequality in disposable incomes did not significantly decrease after the transition (Torregrosa, 2016), and that, in spite of the notorious tax reform, the distribution of the tax burden remained regressive. The expansion of direct progressive taxes was counteracted by the weight of social contributions in the budgets and the persistence of widespread tax evasion. Table 1 shows the simulated effects of the fiscal system in Torregrosa (2015b) – which would be worsened if the distributional impact of fraud could be taken into account.⁴ So why was a progressive tax system not attained? Did the citizens not demand it, or did their preferences not make it to political measures?

²Fernández Ordóñez (1980), p. 60. When he wrote “we”, he meant the members of his Social Democratic Party, which was part of UCD, the coalition winning the first elections in 1977 (soon to be Suárez’s party).

³Social contributions are considered a tax here, and a very important one indeed. They did not fall, however, under the competence of the same Ministry.

⁴Such is the result of the analysis of the personal income tax, the most redistributive of taxes; see Torregrosa (2015a).

Table 1: *The impact of taxation on inequality, 1970-90*

	1970	1982	1990
Pre-tax income inequality	38.0	42.1	42.5
Net factor income inequality	39.0	41.5	40.8
Post-tax income inequality	41.4	44.5	49.2
Disposable income inequality	34.7	33.0	32.9
Post-tax-and-transfer income inequality	36.2	34.5	37.3
AETR on 2nd decile	28.3	43.6	70.7
AETR on 10th decile	20.0	34.9	46.5
AETR on 100th percentile	16.4	32.3	44.4
Progressivity index (Kakwani)	-0.0849	-0.0274	-0.0485
Redistribution index (Reynolds-Smolensky)	-0.0332	-0.0239	-0.0667

Source: Torregrosa (2015b).

Notes: income inequality is expressed using the Gini index, in percentage terms. Households are the unit of analysis, but the OECD equivalence scale and individual weighting is used. Average Effective Tax Rates (AETRs) are obtained adding all taxes paid by households, directly or indirectly (and including social contributions).

Public opinion about the fiscal system

Generally, political economy models have dealt with redistribution as a whole, not focussing specifically on taxation. They suggest a wide range of possible motives to demand redistributive policies.⁵ Self-interest is the most obvious for the less well-off in society: their demand of equalization lies behind the classical work of Meltzer and Richard (1981), and has been backed by various empirical studies, among which Fong (2001), Corneo and Grüner (2002) or Isaksson and Lindskog (2007). With this force at work, inequality would be expected to increase demand for redistribution.

Several elements, nonetheless, push in the opposite direction, making even the poor less prone to redistributive measures: social mobility (Piketty, 1995; Bénabou and Ok, 2001; Alesina and La Ferrara, 2005), status considerations in the low-middle class (Grüner and Corneo, 2000), or realising about the efficiency costs in redistribution (Cremer et al., 1996). Opposition to progressive taxation can therefore be found not only among the well-off. Fiscal resistances have been suggested to be more acute in the case of direct taxes (and specially those on personal income), while indirect taxation, because of its lower salience, would trigger lower reactions (Wilensky, 1975). The high strata of society are expected to defend their own self-interest and vote for less redistribution, but also to use economic efficiency arguments in their favour.

⁵An exhaustive review can be found in Harms and Zink (2003), although they fail to include ideological considerations.

The poor can also not vote strongly for redistribution because of lack of adequate knowledge about the actual levels of inequality or its consequences (Cruces et al., 2013), or because of mistrust in the government and its ability to pursue their interests (Kuziemko et al., 2013; Svallfors, 2013). They may also hold inconsistent attitudes, as has been put forward by Bartels (2005) for the case of the US – but contested by Edlund (2003) when dealing with Swedish data, and by Singhal (2013) for the OECD in general.

Altruism and egalitarian values, on the other hand, could boost support for redistribution even in social groups not benefiting from it directly. This hypothesis has been backed by several empirical studies, such as Fong (2001) or Corneo and Grüner (2002). It tends to be related to beliefs about the causes of economic inequalities: societies or individuals who think that current income depends closely on effort tend to be less supportive of redistribution, while the opposite is true when luck is viewed as an important determinant (Bénabou and Tirole, 2006; Alesina and Angeletos, 2005).

Recently, Giuliano and Spilimbergo (2009) posited that individual demand for redistribution might be influenced by the economic context experienced during youth, with individuals growing up in a crisis environment being more prone to economic equalization. This might be related to perceptions of bad luck affecting incomes, or to a demand of social insurance, as underlined by Moene and Wallerstein (2001) and found for contemporary Spain by Backus and Esteller-Moré (2014).

Whether Spaniards were in favour of progressive taxation, or just of the provision of public services irrespective of the distribution of the corresponding tax burden, needs to be explored in the data. I approach the issue in surveys, petitions, and the media.

Surveys

An extensive Fiscal sociology literature analyses the attitudes of the public with respect to taxes. The survey evidence starts in the mid 1960s in the case of Spain. Early studies generally focused on the opinions about legitimacy and tax evasion, in an effort to provide useful insights to tax administration design. The first ones were undertaken by the Institute for Fiscal Studies, in cooperation with scholars from the University of Cologne. The Centre for Sociological Studies (CIS) conducted similar analyses since 1980. For the present days, we also have international sources such as the *International Social Survey Program* or the *World Values Surveys*.

Unfortunately, this evidence is scattered and heterogeneous across time. It allows, however, to extract some conclusions, which I have organized in three themes: progressivity, tax burden, and evasion. I have worked with published data (individual observations are not available), that in some cases allow disaggregation by professional group, income level, age, social class, or educational attainment (the exact classifications vary between surveys; some also include political orientation and gender of the respondent). See the Appendix for the list of surveys used.

Tax progressivity

Spaniards usually show a high concern with inequality in survey investigations. In 1971, 60% considered this a serious problem of the Spanish society.⁶ Reducing wealth and income inequality was the 3rd out of 14 issues in the worries of citizens, an appreciation which did not vary a lot across social classes (García López, 1972, 1975). The percentage of those claiming to be worried had gone up to 74% in 1996 (Del Pino, 2005). In 1995, 96% thought the government should take measures to reduce what they perceived as intense income differences, and the actual redistribution policies were judged non-existent or ineffective by 88% (Centro de Investigaciones Sobre la Realidad Social, 1995).

Furthermore, a high percentage of Spanish citizens hold a “collectivist” approach to welfare, where the individual is not the sole responsible for her life, but the state should also play a significant role (between 60 and 70% in this period). In some other countries, these attitudes are significantly less extended (around 25% in the USA and 50% in France according to Gandarias, 1999, p. 188).⁷

Over the last decades, Spaniards have not found their tax system to be fair. Over half of survey respondents consider the distribution of the tax burden not progressive (see figure 1). Discontent rose during the last years of the dictatorship, if a comparison between the data from 1965 and 1971 is to be given credit: in the first year, 60% of respondents meant that taxes were unfairly distributed, while in 1971 the same answer was given by 86%. The most criticised tax in the pre-reform system was the Labour Tax (*Impuesto sobre las Rentas del Trabajo Personal*), which placed a high burden on wage earners (this issue will be commented on further, when we discuss petitions arrived to the Ministry). Significantly, in 1965 businessmen directed their hatred towards the corporation tax: self-interest seems to be in the base of these opinions, with each social group despising the tax that burdened themselves.

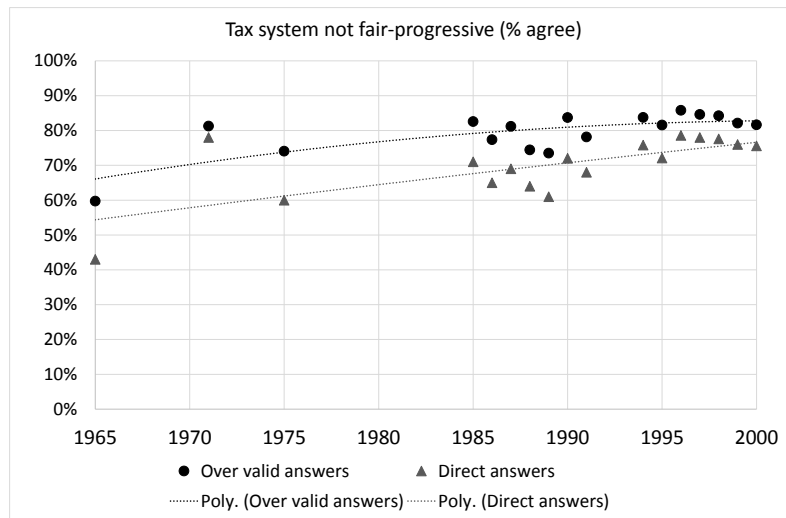
In spite of the persistent “no” to the fairness question, during the second half of the nineties other surveys depict the respondents as increasingly satisfied with the redistributive role of the tax system (Delgado and San Vicente, 1998). The apparent contradiction might suggest a decrease in the redistributive preferences of citizens during this last part of the period. However, it is also possible that there is some confusion with the way questions were asked: “*Do you think that, generally, taxes are fairly collected? That is, that those who own more pay more? Or do you think otherwise?*”, as can be seen, implies that fairness is equivalent to progressivity. It is unclear what an individual should answer if he did not agree with the value judgement implicit in the question.

We can try to find out to what extent fairness actually meant progressivity in the minds

⁶All percentages are given over valid answers, unless where this information is missing from the sources.

⁷Fernández-Albertos (2011) confirms the strong pro-redistribution stance taken by Spaniards in a comparative perspective: out of 25 countries, Spain’s demand for redistribution was higher than in the other non-communist states. It was found even among those with incomes within the richest 15%.

Figure 1: *Is the tax system fair? 1965-1998*



Sources: see Appendix.

of the respondents. In 1971, 67% of direct taxpayers thought that these taxes were fairer than indirect ones (García López, 1975), and 60% of direct taxpayers in the city of Madrid were in favour of the direct estimation of tax bases rather than objective assessments (Margallo Rianza and García López, 1971). Both aspects point towards progressivity, since it is direct, personal taxes that make it possible.

In the 1975 survey, this issue was straightforwardly addressed, and 89% of respondents agreed with progressivity postulates (versus 11% who favoured a proportional system – no regressive option was provided). This was a general stance in the public, with very similar percentages of approval across different ages and levels of education. The lowest level of approval of progressivity was 83% among those with higher incomes.⁸ 68% of the surveyed supported the personal income tax as a good revenue method.

Theoretical questions of this kind, however, have been found to be problematic in previous literature. Often, inconsistency arises when theoretical and empirical questions are compared (see the discussions in Edlund, 2003; Bartels, 2005 and Singhal, 2013). The low educational attainment of most of the sample has to be taken into account in this case, since a significant part of Spaniards in the 1970s had very low formal schooling.⁹ Many of the respondents of these surveys may have lacked the basic mathematical skills to provide an adequate answer to quantitative questions about progressive taxation, even if they adhered to the principle in itself.¹⁰

⁸But this difference may well be not statistically significant, given the high standard errors in the survey sub-groups, of around +/-5 percentage points.

⁹In the household survey of 1973-74, 85% of household heads had only up to primary education, with 26% not having completed the basic level.

¹⁰Inconsistent patterns appear in the 1991 survey, for example. Demand of progressivity is shown in

We only have two examples of "empirical" questions, and they are quite far apart in time (1971 and 1996).¹¹ Comparing them is not straightforward, since the framing of the questions was quite dissimilar, specially with respect to three dimensions. In 1971, the survey asked about the overall tax system, regarding the perceived and ideal tax rate in each income level, while in 1996, only direct personal taxation was dealt with. All kinds of citizens were surveyed in 1996, whereas the data for 1971 refer to a specific group of taxpayers, namely businessmen, liberal professionals and public employees. Another important difference is that, in the 1971 survey, respondents were only asked about their own ideal tax burden, and not about a general profile of tax rates across different income levels. This means that, when comparing both years, we can quite safely assume that the ideal slope for 1971 would have been higher if everyone answered about all income levels (because of self-interest of the less well-off, being a majority).¹²

Figure 2 compares the answers given in both years. The 'ideal' rates described are contrasted with the actual burdens faced in each level. For 1971, the study by the IEF provides a rate structure of reference, but I have found it to be quite imprecise, so I am using instead the more recent calculations in Torregrosa (2015b).¹³ For the second survey, I have calculated the rates from official microdata of the personal income tax corresponding to the year 1995 (returns filed in spring 1996).¹⁴

questions about decreasing or increasing the tax share of certain social groups, with highly educated and upper-middle class individuals specially prone to these attitudes. However, when required to choose between increasing the income tax or the VAT, opinions are divided at near 50% for both: the upper groups now followed their self-interest in showing opposition to increases in direct income taxation.

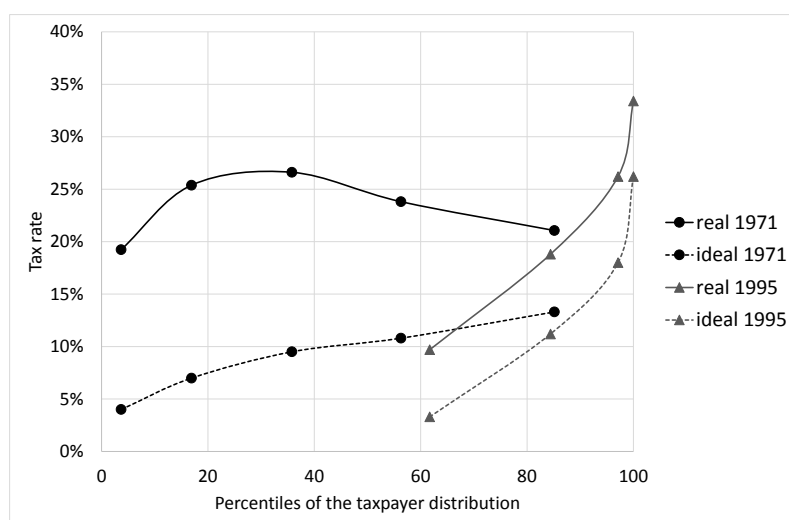
¹¹The 1971 survey was carried out by the IEF, while the 1996 one corresponds to the wave "Role of Government III" of the International Social Survey Program, carried out in Spain by CIS.

¹²The exact question in 1971 was: "*Teniendo en cuenta todos sus ingresos [...], ¿qué porcentaje aproximado viene usted a pagar en conceptos de impuestos? Y ¿qué porcentaje cree usted que le correspondería pagar?*", which can be translated as: "*Considering all your income, which percentage approximately do you pay in tax? And what do you think would be a fair amount?*". In the 1996 survey, it was: "*¿Cuánto cree Ud. que debería pagar anualmente en impuestos una persona cuyo salario anual bruto fuera de un millón y medio de pesetas? ¿O no debería pagar nada? (Nos estamos refiriendo a todos los impuestos que se deducen del salario, es decir, las retenciones salariales y el impuesto sobre la renta: IRPF)*", which again corresponds to: "*How much do you think a person earning one and a half million ptas should pay in taxes? Or should he not pay anything? (We refer to all taxes deducted from salaries, withholdings at source and tax due of the personal income tax).*" This was asked for the average wage and subsequent levels doubling it (x2, x4, x8).

¹³These rates refer to the year 1970, and specifically to the corresponding socio-economic groups. The correspondence is not exact, since I have included four groups from the survey, which contain businessmen, liberal professionals, independent workers, and white-collar workers ("employees"). As for the tax rates given in Instituto de Estudios Fiscales (1972), they are based on an actualization of the simulation for 1965 by Valle (1974) for the general population, adding an imputation of social contributions (calculated from the ratio total social security contributions / total taxes in 1966). This procedure is not very accurate, since social security taxes grew significantly over the next years, and were not equal for each income level.

¹⁴"PANEL PURO Y EXTENDIDO IRPF 1982/1998 IEF-AEAT (Declarantes)". I have used individual

Figure 2: *Ideal versus real tax burden*



Sources: Instituto de Estudios Fiscales (1972), Torregrosa (2015b), ISSP "Role of Government III" (Spain) and PIT microdata from the IEF.

Note: the question in 1971 referred to the joint tax system, while in 1996 it was about direct personal taxation (PIT + workers' social contributions). For other important differences between both years, see the text.

Percentiles are built on "wide" income from the Household Budget Survey in 1971 (gross earnings plus all transfers received), with the households from the categories considered (mean percentile of the observations in the income intervals from the survey – but 60.6% of those were in the upper one). In 1995, the universe is that of individual taxpayers, and the income used to order them is the *Base Imponible Regular* (gross taxable income after some adjustments, particularly removing irregular flows).

Some similarities between the results are striking, considering all the mentioned differences in the surveys. As is usual, respondents demanded lower taxation than they actually faced: in general, taxes are tough to pay and everyone seems to want their own part reduced. This is not an astonishing finding – at the same time, when combined with questions about public expenditures, citizens always appear more sensible towards the need to contribute.¹⁵

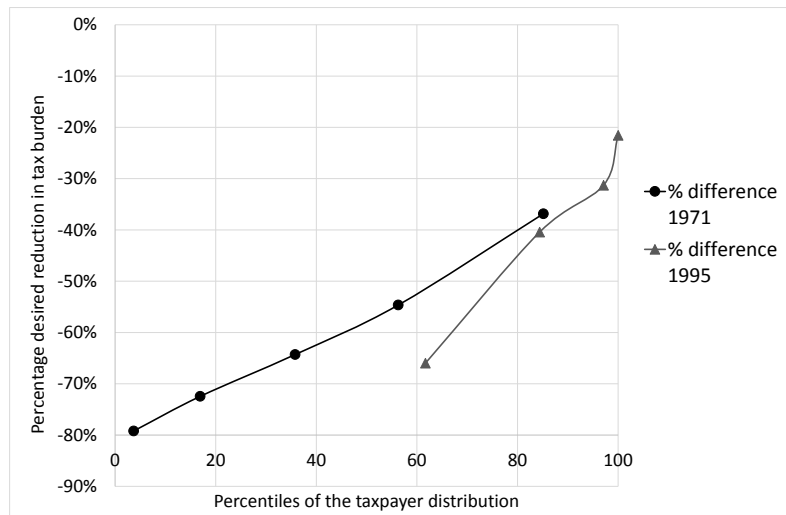
and separate returns (as the question is asked in these terms), with a range of +/-5% around each income point. Social contributions, approximated by the corresponding allowance in the tax base, have been added to the tax due ("*cuota líquida*").

¹⁵The difference between both 1971 series would be even bigger if the reference were the "subjective" tax burden, i.e. what respondents *thought* they were paying, which was below their actual payments. This seems to confirm the impression of contemporary analysts' suggestion that there was acute fiscal illusion, related to the widespread use of indirect taxes. The issue, however, must be taken with caution, given the small sample size and the fact that the survey was undertaken under a dictatorship. By contrast, using UK data for 1995, Gemmell et al. (2004) find over-estimation of taxes paid, both direct and indirect.

We can also see evidence of the dramatic change in the desired size of government. The rates chosen in 1996 would imply public expenditure to represent a much higher share of the national income than in the answers from 1971. Actually, the change was larger than it looks in the graph, because in 1996 only a fraction of taxation was considered, while in 1971 the question dealt with the whole tax system. The slope is also more acute, with a difference of 20 percentage points between the desired tax rates in 1996, compared with only 10 in 1971; but this is specially sensitive to the just mentioned difference, and to the income levels covered in each survey.¹⁶

The answers can also be interpreted as a demand for higher progressivity. Figure 3 shows the difference between ideal and real tax burdens for each income level, as a percentage of the latter (i.e., it would answer to the question “*In which proportion do you wish to increase/decrease the tax rate paid by citizens making ... a year?*”). In both years, the slope of the line is clearly positive: respondents wish to reduce rates more on the lower-earnings population than on the wealthy. In 1971, since the question only asked about the income level of the respondent, the results reported actually mean that the wealthiest demanded a lower decrease of their own taxes, while the opposite was true for the poorest – who were experiencing higher effective taxation.

Figure 3: *Reduction of tax burden desired for each income level*



Sources: same as figure 2.

Notes: same as figure 2.

Recall that in 1996 these data refer only to the personal income tax, together with workers’ social contributions. If we looked exclusively at PIT payments, the progression in force was remarkably similar to that of the desired rates. So it is difficult to sustain that

¹⁶This is a general problem in similar studies: it is often not very clear if the questions or answers refer only to personal direct taxes, which are easier to perceive by citizens, or to overall taxation.

respondents in the mid nineties favoured a strong increase (or decrease) in the progressivity of this specific tax. Their dissatisfaction would be arising from other aspects of the system, like the regressive character of other taxes (among which social contributions) or the efficacy with which public revenues seemed to be used. To this we turn next.

Tax burden and equilibrium with respect to public services

Across the decades under analysis, Spaniards came to think increasingly that they paid high taxes, following the actual evolution of tax revenues (see figure 4). This perception started to turn around 1990, at the same time as the ratio of tax revenues to GDP stabilized (as a result of the Treaty of Maastricht and subsequent efforts to control public expenditure).

Figure 4: *The perception of a high tax burden*

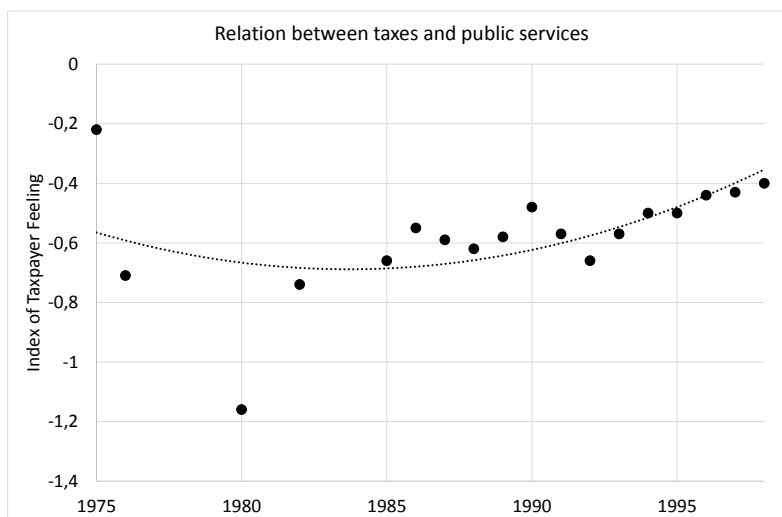


Sources: for the perception of the tax burden, Strümpel and Alvira Martín (1975); Alvira Martín and García López (1976, 1981); Alvira Martín et al. (2000). For the actual tax burden, Torregrosa (2015b) (1960 to 1990), with GDP from Prados de la Escosura (2003); rest of the period from IEF (Badespe) and INE (GDP base 1986 and 1995, online access).

The belief of facing a high tax burden depended as well on the public services provided in exchange. During these years, taxpayers seem to have noticed immediately the increase in their taxes, while the benefits from extended expenditures took longer or were less visible (especially considering non-cash benefits). This is confirmed in figure 5, which shows the evolution of the “index of taxpayer feeling”, with a trend opposed to that of the perception of high tax burden. This index intends to capture the equilibrium that citizens perceived between the taxes they paid and the public services they received. Its

value never becomes positive (which is also common internationally), but satisfaction was clearly increasing since the mid-1980s.

Figure 5: *Index of taxpayer feeling*



Sources: Alvira Martín and García López (1976, 1977, 1981, 1987); Alvira Martín et al. (2000).

Note: the index is designed to take a value between 2 and -2, where a positive answer would mean that benefits are perceived to be larger than sacrifices.

Other elements could be playing a complementary role. One of them is the regressivity of taxation. In fact, the tax burden was very high for those at the bottom, and maybe their answers were driving the average response to some extent. This aspect would lose importance as regressivity decreased during the period. However, fiscal drag was also in place during the eighties: consistent inflation was not accompanied by deflating of the tax rate structure, thus causing strong increases in the rates faced by low and middle income taxpayers (González-Páramo, 1988; Salas, 1997). The economic cycle is also expected to drive responses to a certain extent, in this case negatively affecting taxpayers' perceptions in the first half of the nineties.

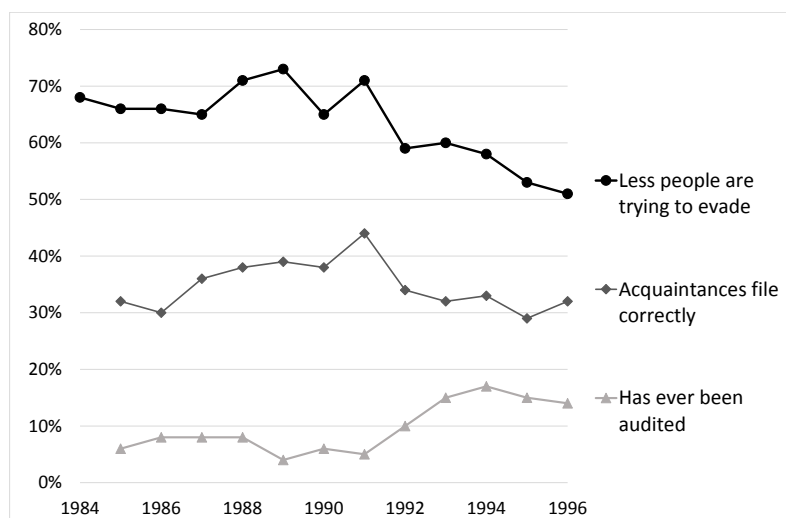
Tax evasion

Tax evasion was a central topic in the surveys, and one the reformers of the seventies and eighties attached high importance to. For Spaniards in general, in an abstract way, fraud was also worrisome: it came in the 5th place in 1971 (out of 14 suggested problems), with 57% of respondents sharing this opinion. It is significant, however, that these worries were less acute among liberal professionals and managers – precisely those social groups signalled by their fellow citizens as more able and prone to evade (Margallo Riaza and García López, 1971). Furthermore, when asked about social sanctions against tax evaders,

very few had clear rejection attitudes: only 14% in 1971 and 10% in 1976. So most were aware of the issue, but tended to be indulgent about it.

Throughout the period, the perception seems to be that evasion was high and persistent. Figure 6 shows how during the nineties a growing number of respondents claimed to have been audited, which would point to higher efficiency in the tax administration in this respect. However, when asked if less people evaded than in the past, they clearly showed negative perceptions on the evolution of fraud. Their view of the fiscal behaviour of acquaintances shows no clear trend. We might venture that a slight decrease in fraud (as found in Torregrosa, 2015a and comparing with Domínguez et al., 2015) coexisted with growing concern and rejection among the public, which are indeed evident in more recent surveys.

Figure 6: *Perceptions of tax evasion*



Source: Alvira Martín et al. (2000).

Petitions

Some popular perceptions of taxes can also be found in petitions made to the fiscal authorities throughout the period. I have analysed a sample of 69 petitions dated from 1964 to 1979 which can be found in the Archive of the Ministry of Public Finance.¹⁷

Most of these letters came from organizations (75%), namely businesses or branches of the official “vertical” trade unions. Missives by individuals are very scarce before the transition to democracy, but their number increased a lot since 1977. What is most significant is that 88% of all petitions referred to the same tax: the Labour Tax (*Impuesto sobre las Rentas del Trabajo Personal*). There was a general complaint against its non-taxable

¹⁷This sample cannot be considered random nor representative. Letters containing personal data protected by the law were previously removed by the Archive staff. Source: General Index 1.851, box 57.762.

threshold, which strongly decreased in real terms because of inflation. This might be one of the explanations why revenue from this tax increased intensely during the 1970s, and bears strong resemblance to the criticisms about the personal income tax in the following decade.

Letters by individuals come sometimes from highly educated workers, such as doctors, with specific issues. But some of them are reflection of popular discontent, normally expressed as a petition more than a demand, and frequently related to inflation and to the hard situation of large families. A man from Denia in July 1977 wrote:

“I welcome your tax reform, increasing the Labour Tax; but as I am a worker with a large family (6 sons), I want to ask you to keep in mind these families in your taxes, because it is not the same to have 500,000 ptas and share between 4, than between 8, which is my case”.

Many of the petitions signed by organisms of the vertical unions have a technical character, but some introduce arguments of progressivity. For example, in March 1977 a letter coming from workers of a building firm asked explicitly for progressive reform: “*A progressive and fair economic policy requires a deep tax reform, so many times announced and never carried out [...] which taxes progressively, and not merely proportionally, the highest wages or incomes*”. A year earlier, the president of the national vertical union of workers from the metal sector criticised the system with the following statements: “*We have an unfair and ineffective tax system, and that doesn’t mean that the burden workers face is excessive, but that, in fact, capital incomes are undertaxed*”.

Of course, the concentration of complaints around the Labour tax suggests that lobbying about business taxation was funnelled through other channels, not that it was non-existent.

Press

The media can also provide some guidance about prevailing social attitudes about taxation. For this, journals of diverse orientation have been selected.

ABC

This was a conservative journal, of monarchic stance under the dictatorship, and aligned to the right-wing party *Alianza Popular* during the transition period. Its online search machine has allowed to investigate the articles relating to taxation issues with high efficiency, searching for the words ‘tax reform’.

During the years 1974-77, opinions voiced here were clearly against redistribution and the need of any tax reform of this kind. The arguments provided were generally technical: an administrative reform should go first, and fiscal effort in the country was high and could not, or should not, be increased. One idea was to “start” by applying

effectively the tax regulations in place: *"The possibilities in our tax system to obtain higher revenues are considerable, so that these tax reforms are unnecessary"*¹⁸, fighting fraud with simplification and improving the control of expenditures. The main critique against Fuentes Quintana's position (the central man behind proposals for reform) was that the tax burden in Spain compared to its European neighbours was not so low, when taking into account the income level in the country.¹⁹ A clear anti-fiscal stance is taken by one of the contributors when writing: *"Like summer clouds announcing thunder and lightning, for a long time the ordinary and overwhelmed citizen has been feeling the threat of a tax reform"*.²⁰

In 1976, when talks about tax reform were becoming more frequent (related to the projects of the minister Villar Mir), *ABC* generally criticised these initiatives as populism. Regular contributors were fiercely against the aspiration of using the tax system as a channel for the reduction of inequalities. For example, the former minister Navarro Rubio claimed that reformers were excessively pushing for this solution, while the economic crisis strongly advised not to increase the tax burden.²¹

Cuadernos para el Diálogo

This periodical had a clear democratic stance, and a prominent trajectory in criticizing the tax system during the last years of the dictatorship. Renowned personalities wrote in the pages of *Cuadernos*, making it a good example of the progressive-centrist views on many social and political issues. Several of its signatures were later incorporated to *El País*.

In the year 1977, opinions voiced here were clearly favourable to a progressive tax reform. As an example, in January the economist J. Estefanía claimed that the state budget was socially unjust and a profound redistributive reform was needed:

"The trend of increasing direct taxes is very slow, and, also, does not automatically achieve a more equitable distribution of the tax burden. Since, for example, one of the direct taxes increasing the most is the Labour Tax, against which Spanish workers have repeatedly complained for years. [...] It is necessary to eradicate tax evasion starting from above, so that the budget becomes indeed an instrument to reduce social differences and achieve greater equality. [...] Political reform may be going forward; the economic one lags behind because it touches more direct interests".²²

¹⁸ *"Hojas de alcabala: El porqué y el para qué de una reforma"*, *ABC*, 8/10/1974, p. 55.

¹⁹ Recall from the surveys that the tax burden was seen to be quite high, but specially for the poorest families, and not for the wealthiest. This point is avoided by the journal.

²⁰ *"Hojas de alcabala: Nuestro esfuerzo fiscal"*, *ABC*, 11/8/1974, p. 43.

²¹ *"Teoría de la relatividad fiscal"*, *ABC*, 11/6/1976, p. 3.

²² *Cuadernos para el Diálogo*, n. 193, 8-14th January 1977.

In July the journal published an interview with the new Public Finance minister, Francisco Fernández Ordóñez, with a very positive tone. Critiques focused on pressure groups lobbying against the reform (fundamentally the banking sector), and the acknowledgement that, in spite of tax changes, the majority of the costs of the economic crisis were falling on the workers' shoulders (wage increases were contained to fight inflation, as agreed in the Moncloa Pacts).

In November 1977, when the first tax reform law passed through Parliament, the editorial took a clear position in defence of the project, which was facing resistances from the right and even inside the government's party, UCD. The underlying idea was that democracy implied not only a political change, but also an economic one:

“Enjoying democracy is not only the exhibition of a Parliament formed by universal suffrage, or laws allowing to see films without prior censorship. It also means enjoying higher distributive justice in the tax burdens and wider development of collective services”.

The same piece also underlined that the reform was not anti-capitalist, but exactly the opposite, since it meant reinforcing capitalism in a very critical context – therefore, rejecting it could provoke a radicalisation of voters.²³

El País

Born in 1976, *El País* soon came to be the most read journal in Spain, a position it still holds today. From its origins, it worked as though in a fully democratic context, and containing diverse opinions. The own orientation of the journal, however, was quite clearly social-democratic.

During the years 1977 and 1978, the pages of *El País* monitored quite closely the process of tax reform, explaining to its readership the main debates and projects going through Parliament. Notably, some initiatives of the left were granted particular attention (for example, the insistence on publication of individual tax data).

Editorials in this journal were very favourable to the reform, and specifically to the principles of progressivity, generality and transparency. On July 1977, it was stated: *“The tax reform must serve as a stimulus to put in place an effort of national solidarity, and must become the demonstration that the Government is willing to fight for an equitable society”.*²⁴ Another editorial from April 1979 praised transparency and cried out for more tax compliance among citizens, while also criticising that the highest burden still was placed on workers: *“Tax evasion is, first of all, an active deed of lack of solidarity towards the community. In that sense, the publication of tax returns can become useful to make many taxpayers report and pay more, even if it only is to avoid public shame”.*²⁵

²³ *Cuadernos para el Diálogo*, n. 236, 5-11th November 1977.

²⁴ *“La reforma fiscal”*, *El País*, Editorial, 31/7/1977.

²⁵ *“Reforma fiscal y reforma moral”*, *El País*, Editorial, 1/4/1979.

A series of interviews to the members of the Public Finance Commission in 1978 transmitted to the readers some of the main issues at stake in the negotiations. They are interesting today, among other things, because they make clear to what extent the principle of progressivity was of general acceptance for the public opinion at the time. The MPs of UCD, PSOE (Socialist Party) and PCE (Communist Party) defended the application of this idea (notwithstanding some differences between them). Those of *Alianza Popular* and the Catalan Minority groups, however, were representatives of conservative voters and not so favourable to progressivity... but this came through only in their proposals, on discussions of detailed issues concerning tax exemptions, allowances or credits, and not as a general statement or as a challenge to the rate structure proposed by the government in Parliament (these issues are explored in the section about political parties).²⁶

In that sense, Ramón Trías Fargas, member of the Catalan Minority Group, stated: *"I have maintained since 1963 that strong and progressive taxation is a requisite for liberty and democracy"*, but alongside criticized what he considered to be excessive rush in the reform process, and a tilt towards equity at the expense of efficiency.²⁷ Laureano López Rodó from *Alianza Popular* showed a similar position: *"In general terms, the philosophy of our project would have been similar to that of UCD. I understand that in fact the income tax must be the king of the system"*, which did not preclude him from opposing particular aspects, fundamentally concerning savings and family treatment.²⁸

The national power structures

The second candidate for our initial paradox is that the new parliamentary system failed to conduct the citizen's attitudes with respect to progressivity to effective policy-making. Did it fail to be democratic in this sense? Were there contradictions between different policy goals?

The specific institutional setting can be more or less favourable to redistribution. An extensive literature has developed in this area: Steinmo (1989) contrasted the Swedish centralized system with that of the US, Persson et al. (2000) claimed that parliamentary systems would be more redistributive than presidential ones, Alesina et al. (2001) argued that the majoritarian and federal system of the US worked against redistribution, and Iversen and Soskice (2006) pointed that centre-left parties would have more chances of getting to government in proportional electoral systems.

²⁶The same conclusion is reached by Pan-Montojo (1996) when discussing a businessmen survey from October 1977, where respondents did not criticise the existing system but acknowledged the need to reform it. In Pan-Montojo's words (p. 286): *"Their resigned answers reveal the political impossibility for its beneficiaries of openly defending the fiscal status quo, and the non existence of a coherent model of taxation, alternative to that offered by the reformist tradition"*.

²⁷*El País*, 2/6/1978.

²⁸*El País*, 3/6/1978.

Furthermore, it is widely known that political participation and influence increases with income – and thus is higher among individuals we would expect to be less favourable towards progressivity, given their self-interest. This has been signalled in the literature on special interest politics (Becker, 1983; Grossman and Helpman, 2001) and is also one of the arguments behind Acemoglu and Robinson’s (2008) claim of the decisive *de facto* power of elites after a democratic transition. Recently, Karabarbounis (2011) claimed to have found support for the “one dollar, one vote” hypothesis.

In what follows, we consider the nature of the transition process and the regime that emerged from it; in the next section, we will also look at international factors. Of course, both stories are not mutually exclusive. We start from the inside for clarity, but it is also true that the external context increased its influence with advances in economic openness and integration in the EEC, towards the end of the period.

Political transition and malapportionment

Albertus and Menaldo (2014) argue that redistribution would only come through after democratization if the elite’s control has been hampered by a revolutionary threat. In Spain, the democratic transition was not the result of a revolution, but came about only after Franco’s death in 1975. However, the political elite was not a compact block by then, since a part had been developing a slightly reformist stance.

The opposition was not fully united either, in spite of the efforts headed by the Communist Party (PCE) to achieve a democratic breakout, where a provisional, concentration government would call for elections. Although this was not possible, significant social upheaval was taking place at the same time, with labour conflicts and mobilization at different levels, undoubtedly influencing the process of political change.

The usual interpretation is that neither Francoists nor the opposition were strong or united enough to impose their views, so a compromise arose. The Spanish transition was a reform, conducted from above by Suárez – who was himself appointed by the King, Franco’s designated successor –, and which did not break legal continuity with the dictatorship. Social and political opposition made it nevertheless possible to introduce some changes that meant a clear breakthrough in comparison with the previous regime. Were those enough to ensure democratic tax policy?

The literature has argued that proportional electoral systems are more likely to favour redistributive policies. In Spain, despite the model being nominally proportional, elections are known to yield very low levels of proportionality when compared to other European countries. One of the main reasons is district malapportionment. This term comes from Samuels and Snyder (2001), and refers to disproportionality in territorial representation: it generally favours less populated regions with more conservative voters; therefore hurting prospects for redistribution.²⁹

²⁹This final link is explored by Ardanaz and Scartascini (2013) with Latin American data on personal

Samuels and Snyder (2001) suggested that this manipulation of electoral representation could in fact favour the chances of democracy in a transitional context. Their paper is about Latin America in recent years, but the idea seems easily applicable to Spain, where several political scientists have underlined the interests evident in the design of the electoral system during the transition (Gunther, 1989; Lago and Montero, 2005). It creates both a majoritarian bias and a conservative bias (rightist parties benefit more than leftist ones from actual non-proportionality).

In Samuels and Snyder (2001)'s data, Spain's malapportionment value is 0.0963 for 1996, number 16 in a sample of 78 countries.³⁰ I have calculated the corresponding value for the first democratic elections in 1977 at 0.0929: the small gradual deterioration over time is likely due to lack of adjustment to demographic change. The Loosemore-Hanby index of disproportionality in parties' outcomes, on which the malapportionment index is based, shows a different evolution, with a decreasing value across the period (table 2). This has to do with adaptation of parties to the electoral system.

Table 2: *Loosemore-Hanby index of disproportionality in general elections, 1977-86*

	Parties with seats	Incl. parties without seats
1977	15.05	18.81
1979	14.31	17.62
1982	12.21	14.27
1986	10.08	13.24

Source: author's calculations with data from *Junta Electoral Central*.

The index is calculated as the sum of differences between parties' seats and votes, in absolute values, divided by two. In the second column, all parties with no seats are treated as one (this means the index is a lower bound).

During the first years, the effects of the electoral system benefited specially Suárez's coalition, UCD (see table 3). It won a significant position in the first democratic parliament, although not attaining the absolute majority, as had been its purpose. Now as a party, UCD was also the most fortunate in 1979. As Gunther et al. (1986) have discussed, the impact of the first elections on the party system was very significant. Parties obtaining representation in 1977 not only gained institutional power, but also reinforced access to public opinion, and – last but not least – funding from the state budget. Those who did not (and they were many), disappeared or were disadvantaged in the following. In that way, the electoral system was an active element in the configuration of the party system during

taxation. Majoritarian systems have been related to lower social spending in Persson and Tabellini (2003).

³⁰The ranking becomes 4 out of 20 if only federal countries are considered.

the first years of the new regime. And, similarly, because of the foundational moment for many aspects of political life, the reinforced majorities enjoyed by UCD had a lasting impact on public policy.

After 1982, the central party in the system was PSOE, the Socialist party, that now enjoyed the bigger premiums in terms of parliamentary seats. As can be seen, PSOE actually won absolute majority in 1982, which entitled the party to initiate programs in welfare state development and to complete the reform in taxation, intensifying anti-fraud measures and finally introducing the VAT and other changes. The party and the context, however, had by then changed in many respects.³¹

Table 3: *Parties benefiting from electoral rules, 1977-86*

	UCD / AP (since 1982)			PSOE		
	% of votes	% of seats	Diff.	% of votes	% of seats	Diff.
1977	34.52	41.14	6.62	24.44	29.43	4.99
1979	35.08	48.00	12.92	30.54	34.57	4.03
1982	26.46	30.57	4.11	40.82	50.57	9.75
1986	26.13	30.00	3.87	37.86	46.57	8.71

Source: author's calculations with data from *Junta Electoral Central*.

In 1982 and 1986, the first columns correspond to electoral coalitions headed by AP, the new preponderant party in the right.

The parties' stances in Parliament

What positions were favoured by the operation of the electoral system? How did parties defend their constituencies in the parliamentary process? In order to answer this, I have conducted an in-depth investigation of the parliamentary debates of tax laws (see the list in table 4).

A first look suggests the existence of a bottleneck in the tasks of the Public Finance Commission. Indeed, the net wealth, inheritance and value added taxes were sent in by the government in 1978 but did not make it through the process during the first legislature (1977-79), nor the second (1979-82). They were re-started each time. The same group of MPs had to examine all three direct taxation projects, with the personal income tax coming in the first place because of its highest priority. Furthermore, these parliamentary works coincided with the elaboration of the Constitution, which undoubtedly concentrated the efforts of politicians at the time. The resulting delays made it possible

³¹Andrade Blanco (2012) reviews the ideological and tactical evolution of the Socialist party during this time. My own inspection of its electoral programs shows how, by 1986, tax progressivity had practically disappeared as an instrument for redistribution, and attention was directed mainly to social expenditure.

Table 4: *Main tax law projects in 1977-79*

Law	Proposal	Sanction	No. amendments
LMURF: wealth tax, anti-fraud	July 1977	Nov. 1977	139
Personal Income Tax	January 1978	Sept. 1978	202
Net Wealth Tax	January 1978	-	82
	April 1979	-	115 (incl. 57 prev.)*
Inheritance & Gift Tax	January 1978	-	64
	April 1979	-	80 (incl. 46 prev.)*
Value Added Tax	July 1978	-	54
	April 1979	-	81 (incl. 48 prev.)*

Source: Archive of Congress, documentation from the Public Finance Commission: Folder 12, *Legs.* 1069, 1696-2, 1698-3, 1700, 1714-8 and 1715-1.

Notes: LMURF stands for *Ley de Medidas Urgentes de Reforma Fiscal*, Law of Urgent Measures of Fiscal Reform. A Net Wealth Tax was finally passed in 1991; Inheritance & Gift in 1987, VAT in 1985.

‘(incl. ... prev.)’ refers to how many amendments from the previous parliamentary process were kept by parties for the next debate.

for the resistances to the reform to fight back and come up with alternative models in the 1980s.

Already the initial deadline for sending in the projects by the government was not respected, which has been interpreted by Pan-Montojo (1996) as a result of undercover pressures to moderate the laws. Such was implied by the Communist MP Ramón Tamames when complaining about the fact that “*an important increase in the degree of conservatism can be appreciated in these projects with respect to the initial plans*”.³²

Law of Urgent Measures of Fiscal Reform (1977)

The first project of the minister Fernández Ordóñez was also the first law to be passed by the new Parliament, elected in June 1977. Its processing was made urgent, since the government meant to bring it to force already in 1978.

The LMURF was a first set of measures to introduce the tax reforms. It attempted to set a bridge between the old taxes and the new ones to be discussed during 1978, including the creation of a various transitory taxes (a Wealth tax and a surcharge on high labour incomes), changes in several indirect ones, and a set of anti-evasion measures (tax

³²Direct taxation projects had been agreed to be sent by the end of September and entered Parliament in January (the Corporation tax in June), while the time limit for indirect taxes was the end of November and they arrived in June. Tamames’ words are from the meeting of the Public Finance Commission on 9th February, 1978.

amnesty, fiscal crime and lifting of banking secrecy). These were supposed to bring about a new beginning in the relations between taxpayers and the administration.

With respect to the initial project, the law that was finally approved shows an increase in the progressivity of the tax rates, following quite closely some proposals of the Catalan Socialists. This increase in progressivity, however, was accompanied by a reduction in the revenue capacity of the tax, since rates were lowered for those with under 100 million pesetas of wealth (where the majority of estates would be found), while increased at the top, over 500 million (which may not have had very strong practical effects). By contrast, the alternative structure put forward by the Communist party was less progressive on paper, but would have brought higher revenue from the propertied classes.³³

No significant changes were introduced with respect to tax crime and bank secrecy, while the right-wing party AP managed to get for his voters the exemption of monuments and significant artworks from wealth taxation, and the increase of deductions for new labour contracts in the business taxes (a point shared by UCD and the Basque and Catalan groups).

The debate in Parliament (25th October 1977) focused on a couple of specially contested issues. Socialists had strongly pushed for the inclusion of legal entities in the tax, arguing that leaving them out introduced inequity among enterprises (with respect to individual ones), and as such they were included in the first project issued by the government. This point was important, the speaker said, not because of revenue considerations, but because the wealth tax was meant to serve as a registry of the estates in the country for the rest of the prospective reform. Responding to this proposal, the UCD MP García Añoveros justified the change for concern about double taxation and negative impact on investment. The speeches of Socialist proponents suggest that opposition to openly and constructively discussing this issue was fierce, which might point to the existence of external pressures explaining the change of opinion inside of the government. The Socialist proposal was backed by the Communist party in the vote, but nevertheless rejected by 164 votes against 147.

The other discussed aspect was the date of start of the duty of cooperation of financial entities, regarding the lifting of bank secrecy. The Catalan Socialists, represented by Ernest Lluch, suggested that this principle should start to be effective since June 1977, before the law was sanctioned *but after the principle had been made public*. They argued that during the year important capital movements had taken place, and the government should be able to investigate them, since the law did not change the legality of the behaviour of their owners.³⁴ The Catalan right-wing party argued against this proposal,

³³In fact, this may be part of the explanation of the distance between the initial revenue estimate in the project (39,649 million pesetas, of which the government's objective was to reach 20,000) and the actual revenues in 1978 (8,589 million, over 15,000 in 1979).

³⁴“Everyone knows that in this country since at least the 1st of January there have been a series of financial movements, first, against the democratic process; then, speculating on the peseta, and, lastly, a

defending the principle of non retroactivity. The point was also rejected, but very closely: 147 against 142.

The Personal Income Tax (1978)

One of the main cornerstones of the reform, its project is dated December 1977 and was discussed between January and May 1978, to be approved by the Parliament during the summer and finally sanctioned in September. The processing of this law was successful in the sense that the government managed to pass it more or less in the time frame that had been planned, which would not be the case with the following projects. The debates took place right after the Moncloa Pacts and still during the period of ‘consensus’, before a crisis in UCD completely unfolded the next year. Nevertheless, some of the elements introduced in the regulation of this tax opened the doors to avoidance by high income families, according to Pan-Montojo (1996) and Comín (2007).³⁵

The discussions held were undoubtedly related to the rifts in the governmental party, whose MPs presented 19% of the amendments to the law (38 out of 202). Jointly considered, all the parties in the centre-right (which includes UCD) made 70% of the suggested amendments. Their content was also more critical of the project, while the contributions of the parties from the left had a more cooperative character, sometimes just technical.

Remarkably, the proposed rate structure was not very much challenged. A progressive schedule was accepted by all parties, at least on paper. The resistances are shown in the debate about tax credits and allowances, where conservative parties defended increases, which could be interpreted as a base-voidening strategy. The design of tax credits profoundly affects the progressivity of a tax, but it does so in a less transparent way, thus making it difficult for the public opinion to express an informed preference.

The centre-right parties pushed for increased family allowances (together with the Socialists in this case), and also greater credits for all kinds of investments, personal expenses and charitable donations. Some of these suggestions were accepted at least partially, which meant a moderation of the law during its passing through Congress.³⁶

The same was not the case for the Communist party or other amendments by the Socialist, such as the elimination or strict limitation of presumptive assessment (whose application was left to the discretion of government). The obligation of the tax administration to publish fiscal data at the individual level was the object of considerable controversy, with the main argument against it being the terrorist threats. It finally appeared both in

series of manoeuvres this summer that neither did help to consolidate the first democratic Government. Ergo, the problem of the date is not a minor issue”.

³⁵Comín refers to the possibilities to realise high capital losses against other incomes and the mechanism of fiscal transparency established, among other aspects. See Comín (2007), p. 32, for further detail.

³⁶Increase in family allowances, introduction of new investment deductible concepts, reduction in the imputed incomes from home-ownership, and establishment of a limit of 40% effective taxation.

LMURF and the PIT law, only to be replaced in 1981 with the publication of aggregate statistics.³⁷

The power left in the hands of government was criticized by almost all parties, particularly the executive's capacity to adapt the schedule and credits by means of a yearly decree. In this respect, the rest of the groups demanded yearly compulsory adjustment to inflation (which was high at the time). Those amendments were not accepted, leading as we know to strong fiscal drag during the 1980s.

The Net Wealth Tax

The initial wealth tax introduced in 1977 was meant to be transitory, and thus was called "extraordinary" in the law. It was in force, however, fourteen full years.

The project to replace it entered Parliament in January 1978, and raised similar issues as its precedent. There were many technicalities, showing an interest of the parties to debate in more depth than with the transitory previous tax. The Commission did not reach an agreement before the government was dissolved, and a similar process took place in April 1979.

The Communist party defended again the need to include legal entities in the tax. Socialists suggested the annual adjustment of cadastral values according to the evolution of prices in rental dwellings, which meant to tackle the widely known problem of undervaluation in them. The parties in the centre-right, on the other hand, strove for individual instead of joint taxation, an increase of the exempted threshold, and annual adjustment to inflation; all measures geared towards limiting the revenue potential of the tax. Another issue raised also here by them was the rejection to publication of individual tax data.

The Inheritance Tax

The itineraries of this tax are similar to those of the wealth tax: the same project entered twice in Parliament under the UCD governments, without making it to the plenary session.

The main novelty of the 1978 project, as defended by the minister, was greater personalization of the tax according to the recipient of wealth, whose pre-existing property would be taken into account. This had the effect of making the tax more progressive. The proposal was rejected by the representatives of the right, namely AP and the Catalan nationalists. These again proposed an increase in exempted thresholds and the annual adjustment to inflation. Left-wing parties, as would be expected, suggested higher or more progressive rate structures.³⁸

³⁷Lists of taxpayers of the years 1977 and 1978 were publicly displayed at the building of the ministry of Public Finance in 1979 and 1980, with the press commenting on some notoriously dubious cases. But these data corresponded to the old tax. The regulation was changed to stop publication of the 1979 data in 1981, which would have been the first of the new tax.

³⁸Another of their points was the inclusion of illegitimate descendants in the first category of heirs, those

The Value Added Tax

Several projects of this tax were presented to Parliament during the period. The first one was from July 1978, and had its discussion was reinitiated in April 1979 after the second elections. This project had not made it into law by 1981 and was then withdrawn by the government, which put forward a new proposal more adjusted to European harmonization guidelines.

VAT has been considered a “revenue-raising machine”, and as such its advantages are many. It is an efficient tax, which may foster compliance in businesses and favour savings with respect to consumption, and represented a remarkable improvement in neutrality when compared to the existing turnover tax. Ultimately, however, at least two aspects made it difficult to introduce in Spain in the end of the seventies: the expected impact on price levels (at a time of double-digit inflation), and the fact that it meant putting an end to undercover export subsidies. In the end, the tax came into force as part of the changes related to accession to the EEC.

The debates are a clear example of special interest politics, with MPs of different parties aiming for more complexity in the tax, by granting exemptions for more activities or including them in the reduced rates.³⁹

Social Security Reform

Social Security had attained by 1977 great importance in terms of public revenue and expenditures: contributions to the system represented 49% of the revenues of public administrations, and 11% of GDP. These quantities, not integrated in the general government budget, were administered by a whole set of different institutions created over the 20th century. Several problems called for reform: complexity of the system, low resulting pensions, inequities between different groups of workers, high regressivity of the contributions, negative effects on employment...

Proposals in this respect were, indeed, to be found in the programs of the main political parties. The lines advocated by AP, UCD, PSOE and PCE in 1977 were remarkably similar: they all called for universality, collective control, and state funding (at least, an increase in general taxes’ participation).⁴⁰ The government had appointed a commission to envisage a new model, which appeared in the “*Libro Blanco de la Seguridad Social*” in April 1977. During the following years, however, political platforms kept mentioning the same issues, because they had not been translated into practice.⁴¹

with lower rates applied.

³⁹For example, health services, insurance, cars, fashion, wine, perfumes, or even shotguns.

⁴⁰The parties of the left also insisted on increasing pensions to make them equivalent to the minimum wage, annual adjustment to inflation, and improvement of the conditions of agricultural workers.

⁴¹Notwithstanding the evolution in the proposals of AP, which by 1982 had evolved towards a two-pillar model, with basic-public and private-complementary levels, and private providers cooperating in the first

The reason is simple. Universalisation and increased pensions, in a context of growing unemployment, needed to be funded with reinforced transfers from the state's general budgets. This, however, could barely be a reality before the tax reform had paid off in terms of revenue and progressivity.⁴² Social Security reform took off in 1978 with deep institutional changes, which brought about improvements in administration. But the big reform envisaged, with health expenditure and non-contributory pensions funded by the general budget, would not be a reality until 1989-90. It had to wait for the introduction of the Value Added Tax, which allowed a reduction in social contributions, and for an improvement of the economic situation. In this sense, Guillén (2000) has emphasized continuity in the Social Security system during the years of the transition. Government's share in the funding of the system increased (largely due to expenditures in unemployment protection), and minimum pensions grew more than the upper ones. But the basic nature of the regime, with differentiated categories of workers, was maintained and even reinforced.

The contributory system was simplified in 1978, with the end of a long transitory regime established in 1972, which attempted to bring the tax bases for social contributions progressively closer to the real wages paid, of which they lied far below in the sixties (Monasterio, 1992). Since then, minimum and maximum caps were dictated yearly by the government (by decrees, thus with no parliamentary discussion). The maximum caps have the effect of exempting a fraction of the higher salaries, with regressive impact. The discourse was that the caps were being increased specially for the higher-paid categories of workers, thus reducing regressivity; in hindsight, however, it does not seem to have been like that. An analysis of the evolution of these caps shows that their increase was effectively higher for the upper categories *in absolute terms*, but that during 1976-88 all groups saw their bases increased yearly in very similar percentages (until in 1989-93 the number of different caps was reduced). Moreover, increases in real terms were only found in 1977-78 (slightly in 1983), while for the rest of the years reform seems to have been impeded by the crisis and the convenience of not bringing labour costs up. When compared to the average wage, the tax caps actually were made lower (except slightly in 1983-84), which would point to little or no eradication of the regressivity of these contributions.

Pressure groups

Actions to protect special interests outside the parliamentary course might also be part of the story, although one harder to uncover. The tax reform leaders cited the opposition of *de facto* powers as one important reason for the partial derailment of the initial plan.

one as well.

⁴²In the words of the *Libro Blanco*, the objectives could only be attained “with more active state involvement. But this leads to the need for a more sufficient and progressive tax system. It would be vain to base redistributive action on regressive state contributions” (author's translation).

For example, Fuentes Quintana (who was at the time vice-president of the government and minister of Economic Affairs) asserted in 1996 that "*The reform measures were effectively stopped. A big part of the tax changes were paralysed by vested interests. [...] I am certain that there were [business] interferences to address what should be done.*"⁴³ He resigned in October 1978, when the personal income tax had just been approved and still not applied. His quick abandonment of politics was caused by hard resistances to his economic reform plans, of which the tax measures of his collaborator Fernández Ordóñez were only one part. Fuentes was the promoter of the Moncloa Pacts, that included a whole range of liberalization measures together with the stabilization programme. Some of those were opposed by the banking sector, the energy sector, and fellow members of the government, which aimed for a more conservative policy – starting to convey the uneasy coexistence of very different tendencies inside UCD.⁴⁴

The Public Finance minister Fernández Ordóñez stayed in government until April 1979, also before he could culminate his entire reform program. He had a similar reading, and denounced in a book one year later the reactionary character of resistances to the reform.⁴⁵ This protagonists' story has been backed by the historian Pan-Montojo (1996), putting forward the complaints of left-wing MPs about the influence of vested interests: for example, some exemptions for capital incomes, which according to the socialist Lozano were due to pressures by the regulatory body of the Spanish Stock Market (*Comisión Nacional del Mercado de Valores*).

Certainly, the behaviour of the banking sector was not of fully friendly cooperation. In order to make taxation of capital incomes effective, withholding had to be generalised, and information on bank accounts had to be accessible to the tax administration. The lifting of banking secrecy in the law of November 1977, however, triggered a fierce campaign of opposition, which argued that the right to personal intimacy was threatened, and that the measure could have negative economic consequences, such as a reduction of operations and an increase in the black market. *Cuadernos para el Diálogo* denounced strong pressures on the reformers.⁴⁶ *ABC*, on the other hand, voiced the concerns of Rafael

⁴³Excerpt of an interview by Andreu Missé, reproduced in Fuentes Quintana (2004).

⁴⁴The interpretation of *El País* was quite clear in this respect: "*The pressures of the financial sector against the reform and the manifestations of the more conservative flank of business, along with the manoeuvres to form a big right-wing party outside UCD, undoubtedly frightened the party's political cadres and Suárez himself*", *El País*, Editorial of 25/10/1978.

⁴⁵"*In Spain, where public spending has not yet reached the levels of industrial countries, and where the tax system has very recently taken its first steps toward justice, a conservative phenomenon has been born, fuelled not only by the international process, but by the nostalgia for the past. [...] This has strengthened the pressure of conservative forces, from public manifestations against the tax reform and the Moncloa Pacts, to a greater control of government policy*" (Fernández Ordóñez, 1980, p. 137).

⁴⁶"*The men at the Public Finance Ministry [...] seem willing to address the problems and, furthermore, resist the pressures that such a powerful organization like the banking sector has already triggered*", *Cuadernos para el Diálogo*, n. 221, 23rd to 29th July 1977.

Termes, president of the bankers' association, who showed willingness to cooperate, but complained about the burdensome task of sending information about all their clients.⁴⁷

According to the law, however, detailed data about quantities and operations was only asked for in case of tax inspection. This was appealed in court by a taxpayer in 1983, finally losing in November 1984 at the supreme Constitutional Court.⁴⁸ In 1985, the government produced new legislation regarding the obligation to inform the tax administration on each individual's withholdings, which was again appealed by 116 financial entities, finally losing their case in 1986 (Castillo, 1994).

Non-financial enterprises also showed deep concern about the reform, given the economic context, and demanded lower fiscal burdens, particularly regarding social contributions. These were paid nominally by employers in around 80% of the total: although the statutory regulation did not reflect the economic incidence of the tax, relaxation of these contributions was a potentially high relief for business at the time. These demands were included as proposals of the main parties, but, as we have seen, not put into practice immediately. In any case, the lack of thorough updating of the tax caps was consistent with business' position, since it could have potentially meant increases in revenue, were it not adequately combined with reductions in tax rates.

Also as a result of the democratic transition, new business associations were born, aimed at defending economic liberalization. Prominent members of those soon came to see progressive reform as undesirable. For example, Carlos Ferrer Salat (president of CEOE, the main employers' association just emerged), said in 1977 that *"This project is going to put an important brake on investment"*.⁴⁹ Small firm-owners were more favourable to the reform, since they suffered the regressivity of the previous system through presumptive assessments and the weight of social contributions for labour-intensive enterprises. A small business owner from the metal sector said to the press in June 1977: *"I don't mind the tax reform, what matters to me is that it is done taking into account the economic capacity of each firm and that it is avoided that the most powerful ones get benefited. I hope that this democracy makes things go that way"*.⁵⁰

Both employers' and workers' associations were legalised in the spring of 1977, and between 1980 and 1987 a series of social pacts were attained, with agreements to tackle the economic crisis and focusing mainly on anti-inflationary measures, unemployment and labour market liberalization (Mella, 1992). As Comín (2007) notes, these kind of agreements had not been possible in 1977, at the initial months of democracy (therefore,

⁴⁷ABC, 29/12/1977, p. 51.

⁴⁸Tribunal Constitucional, sentence 110/1984.

⁴⁹Cuadernos para el Diálogo, number 233, 15-21st October 1977. These words correspond to a conference about the current situation of firms, organised by the Association for Progress of Direction.

⁵⁰Cuadernos para el Diálogo, number 216, 18-24th June 1977. Retailers from Madrid also claimed against presumptive business taxation in 1976 (*"Los comerciantes insisten en el cierre de los sábados"*, ABC, 10/11/1976, p. 44).

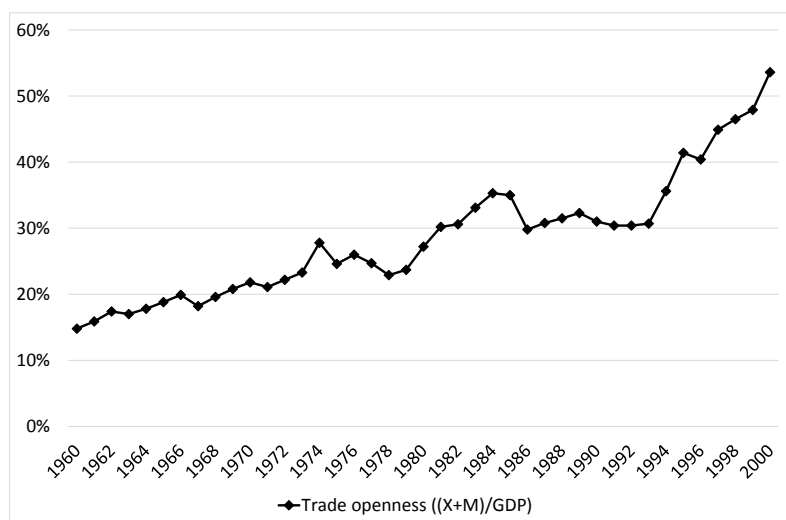
the Moncloa Pacts were finally reached among the political parties).

During these years, trade unions were mainly worried about the preservation of purchasing power of wages and pensions, and tax objectives ranked secondary in their agenda. Albeit illegal, they had existed under the dictatorship, being an important part of the opposition to the regime during its last decades. But their power was decreasing in the eighties, with affiliation levels lower than those of EEC countries. Business associations, by contrast, started to be organised in the first years of democracy and were quite belligerent against the UCD and socialist governments.⁵¹

International integration

Meanwhile, the external context made it increasingly difficult to support progressive taxation. Economic openness was growing along with political liberalization, eventually culminating with the integration in the European Economic Community (1986) and the subsequent commitments in trade, population and financial movements. The level of trade openness can be seen in figure 7.

Figure 7: *Increasing trade openness*



Source: Tena (2005), table 8.8 (pp. 630-31).

Note: the index of trade openness corresponds to the sum of imports and exports over GDP.

That economic openness is an obstacle to progressive taxation has long been estab-

⁵¹Is low corporatism related to the relatively low level of redistribution attained under the new democracy? This is Martin (2015)'s argument when she compares welfare state development in the United States and Denmark, arguing that the second country's lower burdens on capital and high redistribution are both a consequence of the cooperative decision-making process. Corporatism brought economic interests to sit together and feel a responsible part of the setting of policy, ultimately making redistribution measures possible.

lished in the literature. This arises from the "exit" option given in a common market to the holders of mobile tax bases – mostly capital, as opposed to labour. Their enhanced capacity to escape from taxation provides with additional leverage for pressing against tax increases. Such was posited already by Bates and Lien (1985) or Persson and Tabellini (1992), and more recently in the work of Boix (2003) and Freeman and Quinn (2012). Similarly, Genschel (2002) contends that international tax competition has had harmful effects on countries' policies, even though a general "race to the bottom" has not been found in tax to GDP ratios. He argues that, in absence of these constraints, taxes would likely be higher and more progressive, with stronger burdens on capital and lower on labour and consumption.

Why did European countries not reach an agreement on harmonization to avoid these effects? The issue was part of the talks in the European Commission at the time of the common market agreements. But practical results were highly uneven: while there was considerable unification in criteria around indirect taxes, the same was not reached when it comes to direct taxation. Kopits (1992) provides an overview of the process. Corporation tax rates harmonization was already put forward by the Commission in 1975, but delayed by the need to define a common tax base – a complicated issue which is still under way. As soon as 1991, however, an agreement was reached to avoid double taxation of dividends across frontiers.

Regarding more fundamental aspects of personal income taxation, a unification of criteria was never fully on the table. But it was foreseen that, in the absence of automatic information sharing and/or homogeneous withholding, capital revenues could easily engage in fraud making use of the upcoming liberalization. This, in turn, would provide the recipients of these incomes with higher leverage to obtain tax privileges, in advance and after the lifting of controls in July 1990.

Some initiatives intended to limit this downward pressure on capital incomes. The initial proposal of the European Commission in 1989 was to establish a uniform 15% minimum withholding tax on interest income of EC residents. Such decisions required unanimity, and this option was abandoned, turning instead to agreement of cooperation. Lasheras' (1990) interpretation is that interests in countries like the United Kingdom and Luxembourg prevented the adoption of general agreements on automatic information exchange and uniform withholding at source – and that put a hard limit on the possibilities for capital taxation in Spain: *"this situation is forcing, in order to avoid massive outflows of domestic savings, to put taxation of capital incomes and capital gains in line with that existing in the rest of countries of the Community"* (Lasheras, 1990, p. 59).

Of course, these developments are only an epilogue in our story. They might, however, be a very relevant one. Even if the country only entered the EEC in 1986, and free circulation of capitals was not a reality until 1993, the *prospect* of these events was there long before. Accession to "Europe" was for a long time an aspiration of the Spanish governments and also of the Spanish people, since it was considered as a sign of bringing

the country towards the standards of living and democratic politics of its neighbours. Furthermore, even if the real level of capital mobility and effective outlets were not that big a hole on the tax base, the relevant issue here is that they were *seen as such* in the economic literature and *present as an argument* in the debate about tax reforms since the last half of the eighties.

The failure of harmonization thus gave way to competition and national adjustments in tax regulations (Ganghof, 2001). In Scandinavia, as is well known, these pressures brought about dual taxation of personal income. In Spain, the path towards reinforcing capital taxation was somewhat "nipped in the bud": Subsequent reforms in the 1990s lowered top marginal tax rates and granted privileged treatment to capital gains. Finally, steps to dualisation have been taken at the beginning of the 21st century, with the establishment of a separate schedule for certain capital incomes.

Changes in economic theory have been taking place at a similar pace (Slemrod, 1995; Steinmo, 2003). The model introduced in Spain in the late 1970s was a product of the postwar era and Keynesian supremacy. General, progressive and redistributive taxation was at its peak in the sixties and seventies, with the Carter Report of 1966 favouring a model of personal taxation as integrated and comprehensive as possible. Proliferation of allowances and credits, however, made the real systems differ from the model, and plagued them with horizontal and vertical equity problems. The proposed solutions rested on new theoretical approaches, related to the development of optimal tax theory, which focused on the behavioural effects of taxation (i.e. the disincentive to work or save, and thus the negative impact of rates on the tax base). Policy proposals have since tended to reduce progressivity, specially at the top, and prioritize the objective of neutrality over equity considerations.

This evolution was taking place just as Spain started its catch-up with the developments of previous decades. Whereas there was no strong alternative on the table in 1977, soon these new ideas penetrated the public debate in the country, and hindered the full development of the reform. Pan-Montojo (1996) portrays the appearance of the program for "reform of the reform" in the beginning of the 1980s, which called for protection of savings and investment. It was put forward by *Alianza Popular* in the 1982 electoral programme, but its influence reached also the centre and left of the political spectrum. That the socialist party also evolved in similar sense is clear from the reforms undertaken under their rule in the 1990s and beyond. The tide had changed.

Concluding remarks

The conditions under which the tax reform took place in Spain between 1970 and the mid-1980s were different to those that saw the birth of modern European welfare states in the postwar period. In spite of popular demand for progressivity and redistribution, and extensive regulatory changes, these objectives of the reform could not be completely

fulfilled. Public revenue was increased and raised more efficiently, but the overall burden kept being regressive. Capital incomes managed to escape from taxation to a considerable extent, and general redistribution was trapped at relatively low levels, from a comparative perspective.

The press of the time gave voice to some opinions very favourable to the progressive reform, which had no clear, positive alternative opposing it at the beginning – but also shows how this alternative started to appear as a supply-side program in the beginning of the eighties. A similar evolution is found in the proposals of the main parties under the successive elections of the period.

Several constraints limited the effective culmination of the reform. Malapportionment in Parliament was one: the design of the electoral law during the transitional period was made under significant conservative influence, giving birth to a system which benefits rural, conservative districts. The importance of this element should not be underscored, since it contributed to the formation of the party system in the period following the first democratic elections of 1977. Successful parties got access to power in the constitutional talks, notoriety in the media, and public funds for their following activities.⁵²

The economic context was another of these constraints, and is much related to the evolution in public finance theory. Rising unemployment and sluggish growth certainly made it difficult to strongly increase taxation. The reform of Social Security was delayed by the resistance to push up labour costs, and the introduction of VAT was also deferred by fear of its inflationary effects. The model aimed at was the product of postwar Keynesian economics, developed under a period of unprecedented growth and social peace in western democracies. The oil shocks era brought about a different context, where emphasis was placed on the promotion of private savings and investment. International openness came to reinforce this process, by providing capital owners with a credible exit option.

How does our case study fit into the pattern identified by the literature, according to which large, redistributive welfare states rest on regressive taxation, while progressive tax systems give rise to limited government (Wilensky, 2002; Kato, 2003; Lindert, 2004)?⁵³ Was the Spanish experience the result of a compromise of this type, where the expansion of social expenditures could only be funded by the recently introduced value added tax and persistently heavy social contributions?

As much as the expansion of public revenues in the end of the seventies could only be achieved by increasing the burden at the top, a sustained, further expansion under the economic crisis seems to have been politically feasible only if it also limited the progressivity of taxes (Timmons, 2005). According to Lindert, it would also be the only

⁵²Other aspects of differential influence in power have only been hinted to here, such as the relation of political participation with income levels and the action of pressure groups, cited by narrative evidence. These issues deserve further attention in the future.

⁵³Lindert's "free lunch puzzle" has a counterpart in Korpi and Palme (1998)'s "paradox of redistribution" regarding universality versus targeting of social expenditure.

possible way because of economic considerations (the disincentive effects of high tax rates). In this sense, the result would be somewhat independent from the legacy of the dictatorship, and from the particular conditions of the world economy after the oil crises.

But the levels of redistribution attained in Spain are below those of the cases hereto analysed in the literature, including the small, liberal welfare states such as the United Kingdom and the United States (Torregrosa, 2015b). The experience of our southern European periphery therefore might not fit completely into a dichotomous model thought for countries that were already democratic, and richer, in the mid 20th century. Welfare state laggards resorted to regressive taxation to expand social spending, like the leaders in redistributive policies had done. But lower revenue from personal taxes, higher levels of inequality, and slow growth impeded the establishment of highly redistributive tax-and-transfer systems.

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APPENDICES

Appendix A: Sources

1. Archival sources

- Archivo Central del Ministerio de Hacienda
- Archivo del Congreso de los Diputados
- Archivo del Partido Comunista de España
- Archivo de la Fundación Conferencia Anual Francisco Fernández Ordóñez
- Archivo General de la Administración

2. Press

- Hemeroteca de la Biblioteca Nacional de España
- Hemerotecas online de El País y ABC

3. Electoral data: from the website of the *Junta Electoral Central*, in: <http://www.juntaelectoralcentral.es/portal/page/portal/JuntaElectoralCentral/JuntaElectoralCentral/ResultElect/ElGeneral>. This has been complemented with population data from INE (*Estimaciones intercensales*).

4. Surveys: see table 5.

Table 5: *Surveys on taxation attitudes cited in this study*

Year	Conducted for	Published in	Sample
1965	G. Schmolders, U. Köln	Strümpel (1967); Strümpel and Alvira Martín (1975)	N=1023 (household heads)
1971	IEF	Margallo Riaza and García López (1971)	N=100 (household heads, direct taxpayers in Madrid)
1971	IEF	IEF (1972), García López (1972, 1975); Strümpel and Alvira Martín (1975)	N=3200 (household heads; direct taxpayers)*
1974	IEF	Alvira Martín and García López (1975)	N=1600 (household heads)
1975	IEF	Alvira Martín and García López (1976)	N=1189 (household heads)
1976	IEF	Alvira Martín and García López (1977)	N=1200 (household heads)
1980	FIES	Alvira Martín and García López (1981)	N=1212 (household heads)
1985-86	FIES	Alvira Martín and García López (1987)	N=1200 (household heads)
1996	ISSP - CIS	available in ISSP webpage	N=2494 (both sexes)
1985-2005	CIS	available in CIS webpage	

Notes: The surveys were initially conducted only among urban population, with progressively lower cutting levels over the years. This does not longer apply to CIS' surveys at the end of the period.

*IEF (1972) analyses a sub-sample (N=1220) of this survey.