

# **The London School of Economics and Political Science**

## *Broken Promises – The Politics of Lax Enforcement of Tax Laws in Egypt*

Moritz Schmoll

A thesis submitted to the Department of  
Government of the London School of  
Economics and Political Science for the  
degree of Doctor of Philosophy, London,  
September 2017

## **Declaration**

I certify that the thesis I have presented for examination for the MPhil/PhD degree of the London School of Economics and Political Science is solely my own work other than where I have clearly indicated that it is the work of others (in which case the extent of any work carried out jointly by me and any other person is clearly identified in it).

The copyright of this thesis rests with the author. Quotation from it is permitted, provided that full acknowledgement is made. This thesis may not be reproduced without my prior written consent.

I warrant that this authorisation does not, to the best of my belief, infringe the rights of any third party.

I declare that my thesis consists of 83,953 words.

## **Statement of inclusion of previous work**

In the spring of 2010 I conducted fieldwork for a dissertation on Egyptian tax reforms I wrote as a master's student at Sciences Po. I kept the transcripts of the interviews and draw on some of them in the course of this thesis.

## **Statement of use of third party for editorial help**

I can confirm that my thesis was copy edited for conventions of language, spelling and grammar by Jeremy Grove.

## **Abstract**

This thesis seeks to explain the lax enforcement of tax laws in Egypt. While I acknowledge that existing explanations emphasising amongst other things the importance of low administrative capacity, neopatrimonialism, or rent-seeking may discern some of the drivers of tax collection performance, I claim that other factors have been neglected. Based on a combination of historical and ethnographic research, I show how historical legacies and contemporary political dynamics intertwine and shape taxation at the three levels of micro-level tax relations, intra-bureaucratic relations, and the administrative and political leadership. I argue that deep-seated distrust on the one hand, and the consequences of a persistent but broken social contract on the other, contribute to the lax enforcement of tax laws. I show how repressive state-building resulted in a legacy of distrust that became institutionalised over time and that permeates tax relations to this day. I also explain how post-colonial populist state-building has led to the formation of moral economies of a “caretaker state”, widely-held norms, expectations and beliefs with respect to what the state should do for its citizens and its employees. The persistence of core aspects of this social contract until this day, in combination with its breaking by the state, shapes state and bureaucratic politics in important ways. On the one hand, tax collectors are in many different ways less inclined to do their jobs effectively and to strictly enforce the law against their fellow citizens. On the other hand, lenient enforcement is influenced by regime fears that the strict application of tax laws could provide a trigger for regime-threatening popular mobilisation. These findings make a number of different contributions to the literatures on taxation in developing countries, everyday governance and the enforcement of laws, as well as Middle East political science. Most crucially however, my research shows that both distrust and normative-ideational factors have to be taken seriously not only when it comes to explaining the willingness of taxpayer to pay, but also the willingness of tax collectors to collect.

## Table of Contents

Acknowledgments.....	7
Chapter 1: Introduction.....	9
Introduction.....	9
1. The puzzle.....	10
2. Literature review.....	16
3. Research design and analytical framework.....	45
4. Research methods.....	54
5. Argument.....	71
Chapter 2: Egyptian tax collection in historical perspective.....	73
Introduction.....	73
1. The origins of distrust: brutal tax collection and despotic state-building in pre-colonial Egypt.....	75
2. Taxation under foreign influence.....	84
3. Egypt under fiscal independence.....	94
4. Taxation under Nasser.....	102
5. The effects and legacy of <i>Infitah</i> .....	113
Conclusion.....	121
Chapter 3: The politics of micro-level tax relations.....	124
Introduction.....	124
1. Background information: tax collection in Egypt and the 2005 income tax reform.....	126
2. The difficulties of establishing trust in tax relations.....	131
3. Enforcing the law in the areas of taxpayer registration and anti-evasion.....	139
Conclusion.....	152
Chapter 4: Tax collectors and intra-bureaucratic dynamics.....	155
Introduction.....	155
1. The hollowing-out of reward and sanctioning mechanisms.....	157
2. The moral economy of civil service employment.....	169
3. Distrust and feelings of exclusion: rifts in the tax administration.....	179
Conclusion.....	187
Chapter 5: The elite-level politics of enforcing tax laws.....	190
Introduction.....	190
1. Taxing the state and its employees.....	192
2. The agricultural land tax update.....	198
3. Non-enforcement of fines.....	204
Conclusion.....	213

Chapter 6: Conclusion.....	215
Introduction.....	215
1. Summary of findings.....	215
2. Implications for the literature.....	222
3. Avenues for further research.....	230
Bibliography.....	235

## List of figures and tables

Figure 1 – Members of the labour force per tax administration employee (Egypt and selected countries).....	11
Figure 2 – Number of inhabitants per tax administration employee (Egypt and selected countries).....	12
Figure 3 – Average non-resource tax-to-GDP ratio, 2005-2015 (Egypt and selected countries) (2005-2015).....	13
Table 1 – Analytical framework.....	54
Figure 4 – Total revenues, nominal, in thousands LE (1798-1882).....	79
Figure 5 – Tax ratios (1880-1949).....	88
Figure 6 – Tax revenues, nominal, in million LE (1935-1952).....	96
Figure 7 – Tax structure, in % of total taxes (1952-1970).....	106

## Acknowledgments

I am forever indebted to my supervisor Steffen Hertog, who provided the best guidance a doctoral student could hope for. His insightful and challenging remarks, his always constructive and detailed feedback, as well as his encouraging attitude, have all been unparalleled. Thank you, Steffen!

I would also like to express my gratitude to John Chalcraft. His counsel, support and feedback greatly helped me in my work. Furthermore, I wish to thank Catherine Boone, Jonathan Hopkin and John Sidel for their efforts to strengthen the Comparative Politics research community within the Department and giving PhD students opportunities to present and improve their work. I am also grateful to Fawaz Gerges for hosting the interdisciplinary Middle East workshop and his valuable comments. I would further like to extend my thanks to the director of my doctoral programme, Kai Spiekermann, as well as all faculty who taught us and staff who helped us, in particular the administrative staff responsible for research students at the LSE's Department of Government. I also wish to thank Svetozar Rajak for his support. I can just say that it has been a true privilege to study and work alongside so many kind and bright people at this great university. Thank you also to Mohammed and Mike, who helped me power through the final year.

In addition, I am grateful for the support of the Cusanuswerk foundation, which enabled me to carry out this research project. I am also thankful for having been awarded an LSE Middle East Centre Emirates PhD Scholarship, and for the friendly welcome I received from everybody at the LSE Middle East Centre, in particular Robert Lowe, as well as Ribale, Sandra and Chelsea. During my field research in Egypt, the Centre d'études et de documentation économiques, juridiques et sociales (CEDEJ) became a second home to me. This is most of all due to my former professor at Sciences Po, Bernard Rougier, whom I wish to thank for welcoming me. My grateful acknowledgments also to Roman Stadnicki for his friendship and advice, as well as to Karine Bennafla, the CEDEJ's subsequent director who extended the centre's hospitality, Hala Bayoumi, Inès Anwar and the entire staff at the centre. I also would like to thank Tewfik Aclimandos and Stéphane Lacroix for their support.

In the field, I have benefited from the help and contributions of countless people, who, in difficult times, have often selflessly given me their time and thereby helped me bring this project to a successful conclusion. I wish to express my deep gratitude to all of them, and apologise for not being able to name all of them here. I would also like to extend my thanks to Mona for her pedagogy and enthusiasm, and to Diyaa, Mostafa and all their friends, as well as Wael and Alaa, for their collaboration and friendship. My appreciation also goes to W.J. Dorman, Marco Pinfari, Ferdinand Eibl, Dina Bishara and Ilyas Saliba for helpful fieldwork advice.

Along the way, I was extremely lucky to be able to count on friends, partners, and fellow PhD students in Europe and Egypt: they were an undepletable source of advice, support and energy. I thank Adam, Louise, Hader, Mogy, Maggie, Nadia, Lindsey, Yehia, Sara, Wael, Medo, Mustafa, Haitham, Mohammed, Zakaria, Nathan, Ian, Sophia, Obinna, Ulrike, Lukas, Robert, Hadi, Julia, Stéphanie, Peter, Mélisa, Jean-Rémy, Lydie, Yann, Alexandra, Caroline, Jiseon, Tom, Olga, Navid, Pon, Kiwi, Takuya, Jürgen, Philipp, Jan, Fuad, Jann, Nelson and Bernardo.

Finally, I wish to acknowledge my deep indebtedness to my family for their unshakeable belief in me. This thesis is dedicated to them.



## Chapter 1: Introduction

### Introduction

In 1922, archaeologists discovered a 4,500-year-old tomb in Giza, Egypt. The murals surrounding the deceased person with familiar scenes from his earthly life, show him holding a frightened peasant by the neck and beating him severely. It turned out that the scientists had unearthed the final resting place of a tax collector.<sup>1</sup> But severe beatings or floggings of suspected tax evaders were not the only way the Pharaoh's scribes tried to ensure proper collection. Meticulous registration efforts, clever assessment devices (e.g. nilometers),<sup>2</sup> and intrusive audits bear testimony to the regulative ambition of the ancient Egyptian state, and the murals clearly indicate that it deemed tax evasion to be a crime worthy of severe punishment.

A few millennia later, the situation in Egypt has changed. Gone, of course, are the rod and the whip, but their modern replacements – pecuniary fines and prison sentences – are being applied inconsistently, or sometimes not at all. Taxpayer registration is far from thorough, as evidenced by millions of economic actors, small, medium and large, who totally or partially escape the tax net, seemingly without any real consequences.

In other words, what characterises tax collection in present-day Egypt is lax enforcement. Comprehensive laws exist on paper, but in practice they are poorly and inconsistently applied. In this doctoral thesis, I will try to understand how and why this occurs. Although these discrepancies and inconsistencies are common, to different degrees, to all countries around the world, their inherently political nature and dynamics are still poorly understood. In an attempt to remedy this, I decided to conduct an in-depth

---

<sup>1</sup> Anecdote taken from my master's thesis "Tax Reforms and State Capacity in Egypt – Taxes, State and Society since 2004", based on an article of the "Free-Lance Star" (Fredericksburg, Virginia), 4 September 1987.

<sup>2</sup> Nilometers were structures built along the Nile that served to determine the level of the annual floods. From the earliest times until the construction of the High Dam in Aswan in 1970, Egyptian agriculture depended on fertile silt deposited by the annual floods caused by heavy seasonal rainfall in the Ethiopian highlands. If the floods were too low, there was a risk of famine. But if they were too high, they could destroy crops altogether. Farmers thus required a moderate level of flooding. In ancient Egypt nilometers had a religious purpose, but they also served to determine the quality of the harvest and the amount of taxes peasants would have to pay.

empirical case study combining extensive qualitative fieldwork and archival research to shed light on the functioning of tax collection from everyday micro-level interactions between taxpayers and tax collectors, to the internal bureaucratic dynamics of the tax administration, to government-level decision-making.

I argue that a historical legacy of repressive state formation and the consequences of a persistent but broken populist social contract are factors that contribute to lax tax collection. Distrust, a defining characteristic of Egyptian taxation, emerged from the former. The latter manifests itself on the one hand in broken moral economies around the role and provision levels of the state and the right to a certain kind of public sector employment, and on the other hand in the regime's hyper-sensitivity to potential popular discontent as it struggles to deal with the fallout of an over-promising but under-delivering state.

This introductory chapter is divided into five parts. I will first lay out the empirical puzzle in greater detail. Then, I shall discuss how different strands of the scientific literature have sought to answer the research question. The third section will consist of a presentation of the research design and the analytical framework. In a fourth section, I will present my research methodology. And finally, I will put forward the general argument of the thesis.

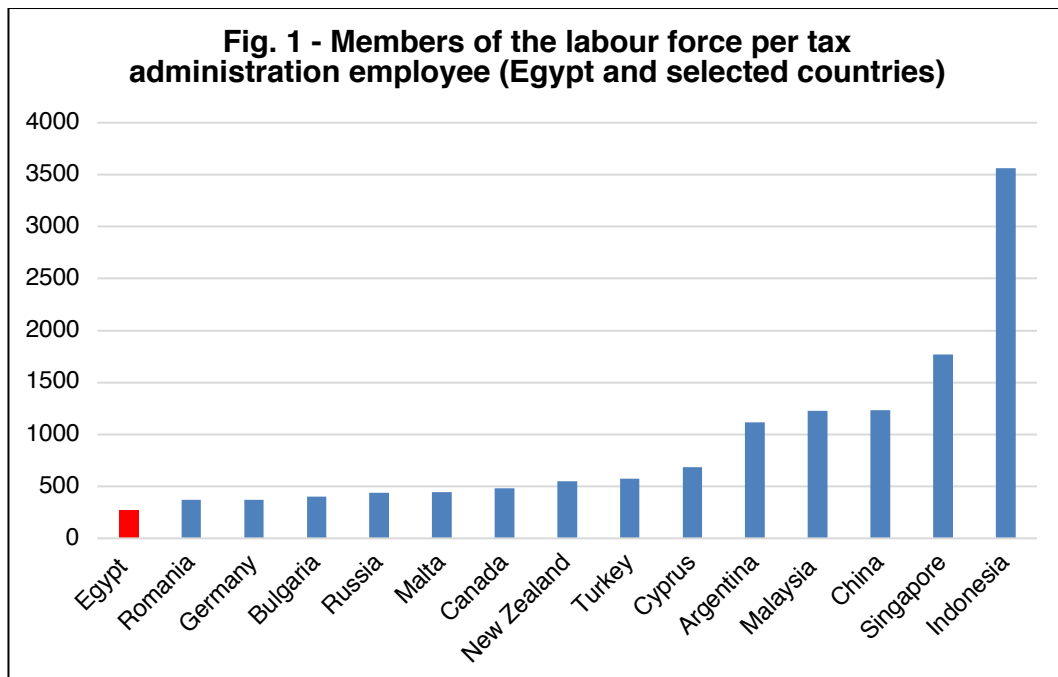
## **1. The puzzle**

The empirical puzzle I am interested in lies in the lax enforcement of Egyptian tax laws. This is particularly puzzling for three main reasons.

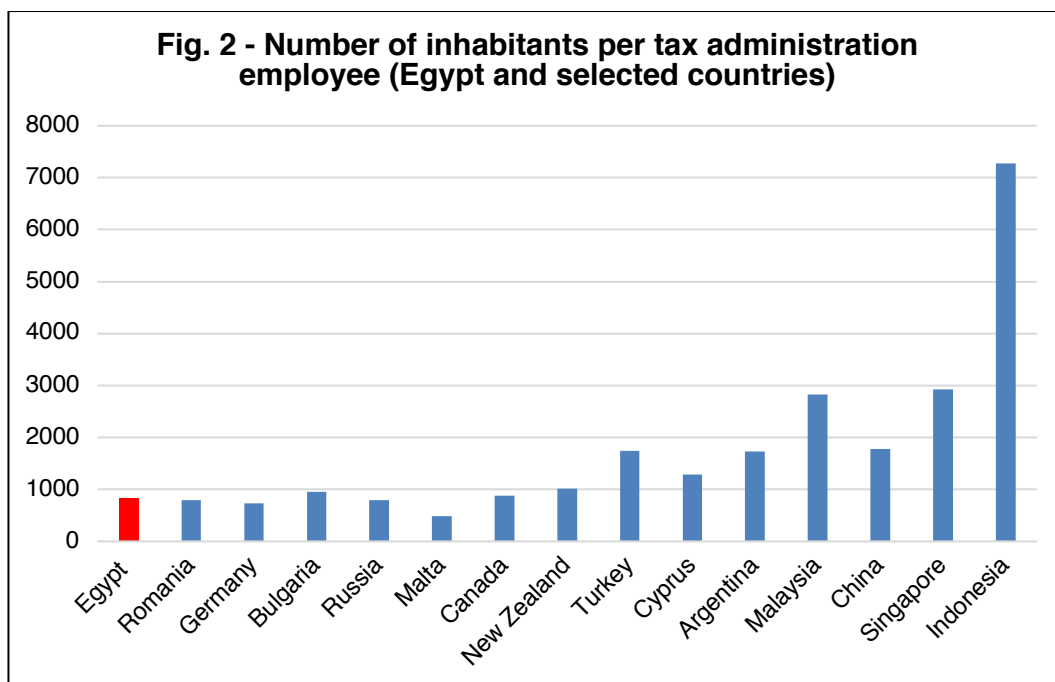
First, while tax laws are poorly implemented in many developing countries around the world, the performance and quality of Egyptian tax collection given the country's broader structural characteristics is still surprising. Egypt has a long and established history of statehood and centralised authority dating back several millennia. Its bureaucracy is institutionally developed and has a significant spatial reach across the entire national territory, factors that seem much weaker in many countries known for their low tax takes, for instance states in Sub-Saharan Africa. The two tax administrations, the Egyptian Tax Authority (ETA) and the Real Estate Tax

Authority (RETA) each have, respectively, 223 and 334 local tax offices covering all parts of the national territory.

As the figures below show quite clearly, Egypt probably has one of the largest tax administrations in the world, if we take into account the number of potential taxpayers. Comparative figures are only available for a limited number of countries.<sup>3</sup> The Egyptian labour force-to-tax collector ratio is particularly striking, at 271, but at 830 inhabitants per tax employee, the number of tax collectors is also high by international standards. In other words, in comparison to developed countries, but especially developing countries, Egypt does employ more tax collectors. The numbers show that in other developing countries human resources are much scarcer, so that in many cases there do indeed seem to be limited amounts of staff given the size of the local economy. In addition, the human resources of Egypt's tax administration are again also in quite a stark contrast to the low collection performance as measured by the tax- (excluding taxes on rent) to-GDP ratio.



<sup>3</sup> I selected Germany, Canada and New Zealand as countries that are commonly thought to have very capable administrations. In addition, I selected all current non-OECD countries on which data was available. There also existed data for India, which led to much higher ratios than even Indonesia for both number of inhabitants and members of the labour force. However, the source lists some regional staff data for India as unavailable. It therefore seems likely that the actual staff numbers for India are higher.

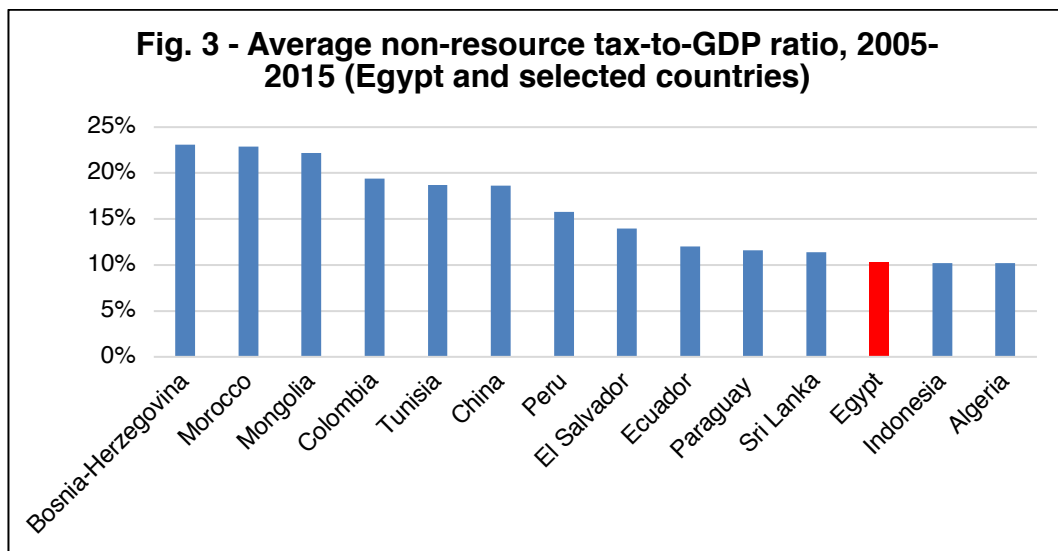


Source: (OECD, 2011, pp. 67–68), and for Egypt own interviews (2013-2014). Egyptian staff figures in 2010 could have been even higher, leading to even lower ratios for Egypt. All country figures, including Egypt, are based on the total number of tax administration staff, excluding customs.

Second, unlike the application of most other laws, enforcing tax laws effectively leads to substantial increases in public revenue, which governments tend to want to maximise (Levi, 1988). In comparison to other regulations which are routinely disobeyed and poorly enforced, such as housing and building rules, the potential payoff for the state from effective tax collection is therefore much higher.

Third, controlling for structural indicators commonly believed to impact the amount of taxes states extract from the economy, Egypt performs clearly worse than comparable countries. Some older analyses attested Egypt a high “tax effort” (Eltony, 2002; Sen Gupta, 2007; Tohamy, 1999). The tax effort is calculated by comparing actual tax collection to a predicted level of expected collection levels based on a number of the country’s characteristics. More recent analyses, however, clearly categorise it as a “low collection – low effort” country (Le *et al.*, 2012; Pessino and Fenochietto, 2010).

Between 2005 and 2015, Egypt collected only an average of 10.3% of GDP in taxes between 2005 and 2015.<sup>4</sup> The head of the International Monetary Fund (IMF), Christine Lagarde, has publicly criticised this as “very low for a modern economy like Egypt’s”.<sup>5</sup> Indeed, the average adjusted tax-to-GDP ratio for lower middle income countries, the category in which Egypt falls according to the World Bank, is 15% for the same time period.<sup>6</sup> In the MENA region for example, Morocco, Tunisia and Jordan all perform much better when it comes to collecting taxes (Le *et al.*, 2012). Other countries, with roughly comparable levels of GDP per capita (PPP) and corruption,<sup>7</sup> are typically raising much more revenue via taxes (see Figure 3).



Source: International Centre for Tax and Development (ICTD) Government Revenue Dataset (July 2017)

If we run a simple multivariate regression using GDP per capita (PPP), the share of external rent, literacy rates, the level of democracy, perceived corruption levels, and the share of agriculture in the GDP, Egypt’s tax-to-GDP ratio is 0.6 standard deviations lower than the model would predict.<sup>8</sup> Without being an outright outlier, a comparison of Egypt’s tax-to-GDP ratio with a

<sup>4</sup> This refers to non-resource or “pure” taxes, taken from the ICTD Government Revenue Dataset. Taxes on rent income, for example on a national hydrocarbon company, are not counted. For more details on the dataset, see (Prichard *et al.*, 2014).

<sup>5</sup> <https://www.imf.org/en/News/Articles/2015/09/28/04/53/sp031315>

<sup>6</sup> Own calculations based on the ICTD Government Revenue Dataset.

<sup>7</sup> As measured by the Transparency International Corruption Perception Index.

<sup>8</sup> Own calculations using the ICTD Government Revenue Dataset and the Quality of Government Dataset (non-OECD countries only).

wider group of countries thus clearly shows that the country consistently performs worse than one would expect based on these key structural characteristics.

To be sure, a low tax-to-GDP ratio alone does not indicate that existing laws are poorly applied. It could be that few taxes, low rates, or generous exemptions characterise the Egyptian tax system and therefore result in a “legal” low tax intake. Comparing tax systems across countries is very difficult due to the complexity of the types of existing taxes, registration thresholds, progressivity, and marginal rates. Egypt did in 2005 make the choice of simplifying and lowering income taxes but has since then also broadened existing or introduced new taxes, in particular on property and capital gains.<sup>9</sup> And while some comparable countries have somewhat higher top marginal rates – though this says nothing about effective rates – others such as Ecuador or Mongolia do not.

Other evidence also indicates that much more taxes could be collected simply by better enforcing existing laws. For example, weak taxpayer registration and high tax evasion are signs that laws requiring taxpayers to register with the tax administration and to pay their tax liability in full and on time are not effectively implemented. Due to the very nature of the phenomenon it is impossible to measure general levels of tax evasion. We therefore depend on estimations. In 2010, a foreign consultant who had been heading a technical assistance programme in co-operation with the Egyptian Tax Authority estimated the “rate of non-compliance” to be “well in excess of 80%”.<sup>10</sup> Publications authored for international organisations such as the World Bank stated that “tax evasion was the norm” (Ramalho, 2007, p. 34).<sup>11</sup> Press reports usually strike a similar note, maintaining that “widespread tax

---

<sup>9</sup> The government has however frozen the implementation of the capital gains tax several months after its introduction, citing concerns that the tax could stave off investment in the country. The improved taxation of built property is being implemented, although collection results are still below the objectives announced at the time the law was passed (and later amended). <https://www.bloomberg.com/news/articles/2016-11-02/egypt-extends-delay-on-capital-gains-tax-amid-currency-crunch>; <https://dailynewsegypt.com/2016/04/26/property-tax-will-it-reach-governments-expectations/>

<sup>10</sup> The consultant did not provide a precise definition of non-compliance, but I suspect that he referred to both people who do not register at all, and those taxpayers who understate their income. Interview with consultant 1, May 2010.

<sup>11</sup> In this instance, the author referred to its assessment of the situation before the 2005 income tax reform. Though tax evasion has only marginally decreased since then, if at all.

evasion by both individuals and businesses is a main reason behind low revenues in many Arab countries.”<sup>12</sup> The government is well aware of this problem. During field research, a former mid-level tax official told me about an internal report that put the extent of full and partial tax evasion at 75%.<sup>13</sup> Thus, we can establish with reasonably strong confidence that Egyptian tax collection is deficient and that evasion is high – quite likely more so than in similar countries – and that the government is aware of the problem.

The weak and uneven inconsistent application of sanctions punishing non-compliance is perhaps the most direct way in which tax laws are not effectively enforced. In Egypt, interest and penalties for late payment, fines for non-filing or late-filing of tax returns, and fines and jail sentences for tax evasion are hardly ever, or only very inconsistently, enforced. In 1999, economist Sahar Tohamy wrote that “from discussions with tax authority personnel, it is not clear when any of these financial penalties are actually imposed, and the information available for taxpayers about their enforcement is quite little” (Tohamy, 1999, p. 177). In 2010, the aforementioned senior foreign consultant told me that the tax authority had not applied penalties since the new law was implemented in 2005.<sup>14</sup> In 1983, a USAID report written by consultants advising the Egyptian government on tax administration reform stated: “No one at the Taxation Department can recall a single case in which penalties provided have been applied or a case which has been transmitted to the courts for tax evasion.”<sup>15</sup> In the contemporary press, I could not find any record of anybody having been sentenced to jail for tax evasion.<sup>16</sup> Not filing a tax return also did not seem to have any major consequences, contrary to the law which explicitly stated that fines should be imposed. On

---

<sup>12</sup> “Tax evasion major challenge for Arab states”, Al Monitor, 2 February 2014, <http://www.al-monitor.com/pulse/business/2014/02/tax-evasion-arab-states.html>

<sup>13</sup> The interviewee was not explicit as to what exactly the 75% refers to, but I presume he either meant that the tax authority believes it only collects 25% of what it should actually collect, or that the amount of evasion amounts to the equivalent of 75% of current taxes collected. Interview with tax collector 13, 24 August 2015.

<sup>14</sup> However, other sources among taxpayers and tax officials would occasionally mention imposed fines and penalties, though not typically from their own experience. Generally, I do not contend that fines or other penalties are never applied. I just claim that there is significant unevenness in their actual application.

<sup>15</sup> USAID project paper “Tax administration – Egypt; 263-0115”, 1983 (p. 16), USAID archives.

<sup>16</sup> Only Diane Singerman, in her book based on fieldwork conducted in a popular neighbourhood of Cairo in the early to mid-1980s, mentions a few such cases (Singerman, 1995, p. 225).

both these issues, tax collectors later also told me that nobody ever goes to jail for tax evasion or that specific punitive provisions were not, or not always implemented.<sup>17</sup>

How has the existing scholarship addressed this puzzle? In the following section I will review the answers provided by the literature and identify gaps that I aim to address.

## **2. Literature review**

The literature review below will serve to present some of the key ways in which the research question of how we can explain laxity in the enforcement of tax laws has thus far been answered. Since roughly the 1990s, and particularly in recent years, the social science literature on taxation has considerably expanded in a number of different disciplines. A large and important body of literature on how taxation shapes and is shaped by politics, society and the state, has since then developed. In addition, I am able to draw on numerous studies of the enforcement of laws, public administrations, and Egyptian/Middle East and North Africa (MENA) politics. However, the extreme richness and diversity of this interdisciplinary literature also forces me to be selective and to focus on the scholarship most relevant to my own research question.

I will therefore in a first section identify five strands that have sought to explain ineffective tax collection in a broader sense and critically evaluate their contributions.<sup>18</sup> Broadly speaking, I argue that existing theories tend to

---

<sup>17</sup> Interview with group of tax collectors 4 February 2014; Interview with tax collector 5, 8 July 2014; Interview with tax collectors 7 and 8, Spring 2014; Interview with tax collector 12, 19 August 2015; Interview with tax collector 13, 24 August 2015; Interview with tax collector 15, 29 September 2015; Interview with tax collector 16, 24 January 2016; Interview with tax official 2, 29 September 2015.

<sup>18</sup> Any categorisation will inevitably simplify the complexity of the scholarly landscape and underestimate the fluidity and porousness of borders between strands and sub-strands of the literature. This is even more so the case in a very interdisciplinary and eclectic field such as the study of tax collection. Furthermore, it may be worth to emphasise here that taxation is a very complex phenomenon dependent on the interplay of a number of factors. The five broader strands I focus on in this section are therefore not necessarily rival theories, but sometimes also reflect a specific empirical, theoretical, or epistemological perspective, and a number of scholars effectively draw on two or more of these traditions.



overlook important aspects of the micro-level politics of tax collection. More specifically, the literature has paid insufficient attention to those who actually carry out the job of collecting taxes, namely ordinary tax workers, and how collectively-held norms, expectations and attitudes vis-à-vis both taxpayers and the state affect how they carry out their job.

In the second part of the literature review, I discuss what I consider to be promising theoretical and empirical pathways towards addressing the shortcomings in the literature. I use them to make the case for integrating a normative dimension to taxation not only when it comes to explaining why taxpayers comply or evade, but also with respect to the enforcement of laws by the tax administration.

#### **a. Existing scholarship**

##### **i. Capacity-based theories**

For many years, under the influence of international financial institutions such as the IMF, taxation was, as Jonathan Di John rightly pointed out, “largely couched in technical terms” (Di John, 2006, p. 1).<sup>19</sup> If taxes were not consistently and effectively collected then this was above all due to the lack of a “capable” administration that can monitor and sanction taxpayers, in other words one that is adequately staffed, trained, resourced and free from corruption (Bird, 1989; Burgess and Stern, 1993; Tanzi and Zee, 2000).

In the wider social science literature, concepts such as state or administrative capacity have to a certain extent been used for a similar argument, in the realm of taxation, but also elsewhere. Accordingly, governments in developing countries have a poor track record at collecting taxes or more generally enforcing laws mainly because they have incapable state apparatuses (Ayubi, 1995; Fukuyama, 2004; Hollenbach, 2015; Knutsen, 2013). Concretely, this typically means a “weak” and “non-Weberian” bureaucracy: material and human resources are insufficient,

---

<sup>19</sup> The final report of USAID’s assistance to Egypt on tax matters for example mentions the word “political” only once, in the sentence: “Importantly, USAID’s willingness to provide a long-term commitment recognized that the political and cultural change needed to support tax reform in a large, stable country does not happen in the short term” (USAID, 2006, p. 8).

recruitment and career progression are not meritocratic, the spatial reach of the public administration is limited, etc. (Cingolani, 2013).<sup>20</sup> Fortin, for instance, writes: “For successful tax extraction, the state must have operative control over its territory coupled with a competent bureaucracy [...]” (Fortin, 2010, p. 659). Cheibub argues that “the level of revenue collected depends essentially on the existence of an effective system of tax administration” (Cheibub, 1998, p. 356). Others, like Middle East political scientist Nazih Ayubi, relied on Michael Mann’s concept of “infrastructural power” which the latter defines as “the capacity of the state to actually penetrate civil society, and to implement logistically political decisions throughout the realm” (Ayubi, 1995; Mann, 1984, p. 189).

And indeed, it would be foolish to claim that “administrative capacity”, conceptualised as the combination of material and human resources at the disposal of public administrations, plays no role in tax outcomes. All else being equal, it will certainly be more beneficial to have a more “capable” tax administration. In Egypt and many other developing countries, the deficiencies, for example in terms of IT resources, are easily visible and make the task of the tax administration a much more challenging one. The same applies to the skills levels of tax administration personnel. But beyond this empirical observation, I would argue that the utility of existing capacity-linked concepts for understanding the micro-level politics of tax collection remains somewhat in doubt.

This is first of all due that fact that widely varying definitions, understandings and usages of “state capacity” and related concepts make working with them quite difficult. Impossible to observe directly, they have been defined, measured and operationalised in countless ways (Addison, 2009; Cingolani, 2013).<sup>21</sup> It is also often not clear whether state capacity is treated as a dependent or independent variable, or even both. Indeed, the concepts are often used as indicators, namely as a yardstick that measures

---

<sup>20</sup> Cingolani writes: “conceptualizations of state capacity have been rather consistent, with a majority of works pointing at the implementation power of the state stemming from a professionalized bureaucracy” (Cingolani, 2013, p. 36).

<sup>21</sup> Cingolani, for instance, counts no less than 7 dimensions – of which several are often used in combination – along which different scholars of several disciplines have analysed state capacity: “a) coercive/ military; b) fiscal; c) administrative / implementation; d) transformative or industrializing; e) relational/territorial coverage; f) legal; g) political” (Cingolani, 2013, p. 7).

the extent to which a state or an administration is able to do something<sup>22</sup> but are then also routinely employed in causal arguments. Levels of tax collection are for example often used as a defining characteristic, a dimension, indicator or proxy for state/administrative capacity or infrastructural power (Centeno, 2002; Fortin, 2010; Fortin-Rittberger, 2014; Hanson and Sigman, 2011; Harbers, 2015; Lieberman, 2002; Migdal, 2001). But, as I wrote above, in part of the literature, effective tax collection is also seen as dependent on high levels of state capacity. Scholars have therefore been right to point out the blurring of the line between *explanans* and *explanandum* (Addison, 2009, p. 16; Edward and Bagozzi, 2000).

But more importantly, these concepts usually do not take sufficiently into account the fundamentally political nature of governance. By conflating, for example, resource constraints (sufficient and adequately trained staff, a dense network of administrative buildings, computerisation, etc.) with more substantial political economy factors, such as the way the state recruits civil servants, the management of the public administration, the fight (or absence of it) against corruption, one prevents more detailed scrutiny of these latter factors. Too many important political dynamics are left unexplored because they are treated as inherent features of the state or its apparatus, and simply subsumed under low or weak state capacity. The blind spot is no doubt even larger when it comes to integrating the micro-level politics of tax collection and the enforcement of laws. To the extent that they do matter, scholars have not really seriously studied how things like “reach”, “penetration of society” or “coercive capacity” in fact dependent on the norms, beliefs, attitudes and expectations of those actors who actually work for and constitute the state.

To be sure, there have been interesting efforts to more directly integrate a political dimension into concepts such as state capacity or infrastructural power. Soifer and vom Hau, who use Mann’s concept of “infrastructural power”, have for example tried to expand it to account for the importance of legitimacy of the state in the eyes of the citizens (Soifer, H. D., 2008; Soifer, H. and vom Hau, 2008; vom Hau, 2008). Empirically however, their work focused mainly on exploring how state infrastructural power was

---

<sup>22</sup> Fortin, though not working on the issue of taxation itself, writes “Capable, or strong states are able to extract resources from their populations [...]” (Fortin, 2010, p. 659).

able to *produce* legitimacy among citizens, and not so much how it depended on the legitimacy of actors in- and outside the state. I believe we should also ask whether norms of legitimacy and fairness matter not only for state-society relations, but also the way in which civil servants will behave.

In the more policy-oriented tax literature, the fact that “politics matters” for the administration of taxes is also well established (Bird, 2003, 2013; Brautigam, 2008, p. 5; Casanegra de Jantscher and Bird, 1992; Kaldor, 1963; Keen, 2013; Koch, 1987; Radian, 1980). However, many authors did not seek, or else struggled, to move analytically beyond identifying a lack of “political will” at the top-level of decision-making (Baer and Silvani, 1997; Bird and Slack, 2006; Kamrava, 2002, p. 46; Tanzi, 1996). Often complementing capacity-based arguments, the latter is somewhat of a generic fall-back concept. If weak state capacity does not explain weak tax collection, then it is the absence of political will. But this perspective in the end completely fails to analyse the concrete “political or social reasons” explaining the poor implementation of tax collection (Mansfield, 1988, p. 188).

Both “state capacity” and “political will” therefore obfuscate rather than shed light on the concrete and diverse political dynamics at play. To be sure, “administrative capacity” may sometimes have a certain descriptive, empirical utility. But the conceptualisation and operationalisation has often been so problematic that I suggest – and have decided to largely abandon capacity-based concepts for analytical purposes in this dissertation.

## **ii. Structuralist analyses**

More structuralist analyses have argued that how much taxes states extract largely depends on macro-structural characteristics of the country, in particular those relating to its level of economic and political development. This research has its strengths, but also some weaknesses.

In its historical variant, structuralist analyses have discerned important patterns of how tax collection evolves over time. Already in 1966, Hinrichs noted how countries’ tax systems often undergo certain transformations as they develop economically (Hinrichs, 1966). In earlier stages, they rely mainly on direct taxation such as poll and land taxes. Later, when commerce

intensifies and transactions become more monetised, tariffs and excise taxes play a greater role, before at a later stage of development the more sophisticated taxation of incomes and profits becomes possible. Lotz and Morss also shared the view that the level of tax collection is to a significant extent dependent on the availability of tax handles (Lotz and Morss, 1970). These findings became to a large extent scientific consensus, but the quite simple theories of course also struggled with explaining the complexity and diversity of outcomes today, even among countries of a similar level of development.

Thus, a number of scholars have for example sought to identify “determinants of tax/extractive capacity” by way of quantitative cross-country analyses. Most studies are quite similar in their overall approach: the tax-to-GDP ratio (or sometimes the tax effort) is the dependent variable and multivariate regressions are run with different sets of independent, usually macro-structural variables (level of GDP per capita, share of the agricultural sector, openness of the economy, levels of external rent, score on corruption perceptions indices, levels of inequality, political instability, or “bureaucratic quality”, etc.) (Dioda, 2012; Ghura, 1998; Le *et al.*, 2012; Mahdavi, 2008; Profeta and Scabrosetti, 2010; Sen Gupta, 2007; Stotsky and Woldemariam, 1997; Tanzi, 1992).

What these analyses manage to do is to establish some general correlates of high levels of taxes collected. Sen Gupta for example finds that the share of agriculture in the economy is negatively associated with the overall tax intake, and that trade openness and GDP levels are positively correlated to it (Sen Gupta, 2007). In a study of Latin American countries, Dioda found a whole range of variables to be significant: “civil liberties, female labor force participation, the age composition of the population, the degree of political stability, the level of education, the population density, as well as the size of the shadow economy” (Dioda, 2012, p. 5). But despite the often significant number of variables included, such regressions, including my own mentioned in section 1., often leave considerable residuals not explained by the structural factors in the model. Perhaps more generally, such long lists of variables mentioned across the literature may raise questions regarding the overall insights we are able to gain from such studies. However on the whole I

tend to agree with Lieberman and Prichard who argue that these studies help point us in directions of cases or variables that may be worth probing with more in-depth research (Lieberman, 2002; Prichard, 2015).

When it comes to explaining the co-variation, establishing causation, or identifying the causal mechanisms at play the authors are also right to point out the weaknesses of structuralist, cross-country analyses of the “determinants of taxation” (Hollenbach, 2015; Lieberman, 2002; Prichard, 2015). Furthermore, the data used in these analyses can be, and in many cases has been, problematic (Lieberman, 2002). Until a new dataset was recently compiled by Prichard *et al.*, most studies worked with IMF government revenue data in which in most cases large amounts of rent income – typically from the sale of hydrocarbons – were counted as taxes (Prichard *et al.*, 2014). This resulted in the severe overestimation of many countries’ “extractive capacity”, not least in countries like Egypt. In addition, endogeneity effects are particularly common in analyses that include the size of the shadow economy as an independent variable explaining levels of tax collection (Bird *et al.*, 2004; Dioda, 2012; Le *et al.*, 2012; Pessino and Fenochietto, 2010). By definition, the shadow economy comprises unreported financial transactions for which taxes are not collected. In a way, one therefore tries to explain weak tax collection by a proxy for weak tax collection.

The more structuralist strand of the literature therefore shares similar strengths and weaknesses with the capacity-based theories. It tends to identify, albeit in relatively abstract terms, broader correlations between the economic and institutional characteristics of countries and their ability to mobilise revenue. But because these analyses struggle to empirically demonstrate if and how these factors concretely affect the actual process of tax collection at the micro-level – or even to explain what other factors could affect tax collection, I will draw on this literature to a limited extent.

### **iii. Institutional explanations**

Institutionalist explanations of various persuasions have also been very influential in the literature. The variants I shall discuss here roughly

correspond to the rational choice institutionalist and historical institutionalist strands put forward in Hall and Taylor's well-known typology (Hall and Taylor, 1996). But in reality, many of the best known works from authors such as Charles Tilly or Margaret Levi include and combine elements from both traditions (Katznelson and Weingast, 2005; Levi, 1988; Tilly, 1990).

The rational choice tradition emphasises that institutions provide a frame of choices and information to strategically behaving actors (Hall and Taylor, 1996). At the micro-level, Alex Radian's study of tax administrations in Turkey, Thailand, Philippines, Laos, Jamaica, Trinidad and Tobago and India combines theoretical arguments discussed in sections i. and ii. with more rational choice-based explanations (Radian, 1980). Like others, he argues that governments in developing countries lack the administrative capacity and the political will to implement taxation effectively. However, in his analysis of the concrete functioning of collection at the micro-level he implicitly also borrows from rational choice theory. He for example argues that weak and inconsistent enforcement is due to the incentives of the tax workers and managers to focus their limited resources on the smaller stratum of larger taxpayer, and on collection instead of sanctioning. The payoff is typically higher, and management typically has a preference for prioritising quick collection instead of taxpayer registration runs that run the risk of drawing resources away from collection, or lengthy coercive proceedings with uncertain outcomes.

Radian makes important points and despite the fact that his research is largely based on fieldwork conducted in the 1970s, many of the basic observations and analyses would still be fairly accurate in many contemporary developing countries. I therefore acknowledge the importance of considering incentive structures and strategic behaviour for our understanding of tax collection. This also applies to another common rational choice argument made at the micro-level, principal-agent theory. According to it, agents often do not accomplish the mission they have been entrusted with by the principal, because the latter is unable to correctly monitor the actions of the agent, whose interests may differ considerably from those of the principal. Applied to the context of tax collection, the theory asserts that if low-level tax collectors do not enforce the law, for example because they take a

bribe, this is because more senior tax administration managers are unable to fully monitor their actions and to ensure that they act in the interest of the tax administration (Hendriks *et al.*, 1999; Kiser, 1994; Kiser and Tong, 1992).

But these theories also have their flaws and blind spots. From a wide range of research programmes, we know that actors do not only behave simply according to rational cost-benefit calculations, but that their actions are also shaped by and filtered through cognitive and normative frames, perceptions of their environment, as well as expectations of other actors' behaviour. Research on the formalisation of informal sector firms has for instance shown that it is not only the high costs and low benefits of formalisation, but also deeply-rooted low trust in government that prevents people from formalising (Jaramillo, 2009; Joshi *et al.*, 2014, p. 1335). Furthermore, principal-agent theory also has the problem of assuming fixed interests that are assigned to the principal and to the agent *ex ante*. But not only do we not exactly know the interests of specific actors, they may also be in flux. In addition, the theory oversimplifies social interactions to a vertical, dual relationship when indeed the social and administrative reality of tax collection is one of numerous actors and horizontal co-operation.

The historical institutionalist strand has argued that the shape, capacity and effectiveness of taxation is essentially dependent on long-term and path-dependent historical trajectories. Perhaps the most famous works – at least in Europe – established links between the need to wage costly wars and the increase of taxation, and thereby the establishment of modern states and bureaucracies (Centeno, 2002; Thies, 2005; Tilly, 1990).<sup>23</sup> Charles Tilly, in his seminal “Capital, Coercion, and European States AD 990 – 1990”, argues that the requirements of warfare pushed rulers to establish more institutionalised and ever-increasing ways to mobilise revenue (Tilly, 1990). The extreme richness of Tilly's theory naturally encouraged many scholars to examine whether some aspects of the overall framework can be applied to cases outside of historical Europe, most of them investigating the effects of

---

<sup>23</sup> It is important, however, to note that Tilly was initially not driven by a willingness to explain contemporary taxation, the shape of tax institutions or the nature of tax relations. His research question was focused on explaining the shift from a great diversity of state-like entities in medieval times to a convergence on the “national state”.



war-making on revenue mobilisation and state-building (Barnett, 1992; Centeno, 1997; Delatolla, 2016; Gongora, 1997; Herbst, 1990; Kurtz, 2013; Sorensen, 2001; Thies, 2004).

Given the fact that Egypt waged numerous wars, Michael Barnett asked why this led not to an increased building of extractive capacity and more specifically a higher reliance on taxation, including on direct taxes (Barnett, 1992). More precisely, his book tries to explain why Egypt opted for an international strategy of revenue mobilisation for its war effort, seeking aid from abroad rather than extracting more revenue from its own society (as its neighbour Israel did to a much greater extent). Barnett shows how Gamal Abdel Nasser simultaneously pursued three objectives: investment, warfare and welfare (Barnett, 1992, p. 88). The author argues that “Nasser’s reliance on accommodational and international strategies was a product of the economic infrastructure, the state’s capacities, Nasser’s populist appeal, and the strength of the capitalist classes and their intended role in Egypt’s development” (Barnett, 1992, p. 87). Indeed, he emphasises the proto-capitalist stage of economic development of Egypt, which meant that there was little to be taxed, and what was to be taxed was in the hand of people the regime depended on. Regarding the determinants of “state capacities”, where they come from historically or what political dimensions impact their nature or functioning, Barnett stays silent. But he convincingly shows that Nasser’s populist ideology, on which his popularity depended, got in the way of an extension of/greater reliance on taxation and is therefore one of few authors to also consider the impact of ideas and ideologies alongside strategic and political economy factors.<sup>24</sup> However, due to his macro-level focus, he again leaves open the question as to how these ideational factors could affect “state capacities” or the politics of enforcement at other, lower levels of the state apparatus.

While not explicitly part of this tradition, Barnett’s work, which effectively argues that the regime preferred and was able to find other ways to raise revenue than through taxes, can be situated within the “rentier state”

---

<sup>24</sup> Barnett writes: “Nasser was the consummate politician, ever sensitive to his standing in the hearts of the Egyptian people and thus duly hesitant to place too great a burden on their shoulders” (Barnett, 1992, p. 97).

literature. The theory, developed by Mahdavy and popularised by Beblawi and Luciani, makes the argument that some states have such high levels of external rent through which they can finance themselves that they do not need to tax their own population (Anderson, 1995; Beblawi, 1987; Beblawi and Luciani, 1987; Karl, 1997; Luciani, 1990; Mahdavy, 1970). Lisa Anderson for example explains how many countries in the MENA region were throughout their modern history able to attract substantial amounts of external funding, mainly in the form of hydrocarbon rents and foreign aid, strongly limiting the need to raise taxes (Anderson, 1995).

Does Egypt's partial reliance on rent therefore explain the Egyptian state's limited activism in the realm of taxes? To a certain extent, it did play a role (Soliman, 2011). Without a doubt, the fiscal pressure on the government was throughout the republican era certainly lower than what it would have been without any sources of rent income. And decisions to create new taxes, or to increase existing ones, were often only taken once the government had no other choice (Koch, 1987; Soliman, 2011).<sup>25</sup> It is therefore not unreasonable to assume that had Egypt's historical "fiscal endowment" been different, the government could have faced stronger incentives to somehow ensure effective tax collection.

However, there are also good reasons to exercise caution and to consider this only a partial explanation at best. First of all, the fact that historically in Egypt pushes for increased or more effective tax collection have only sometimes, but not always coincided with fiscal urgency is an important point to consider. Second, revenues from foreign aid, the Suez Canal and hydrocarbon sales may have somewhat alleviated the fiscal pressure, but this pressure was never low by any standard. Ever since the last days of the monarchy, the Egyptian government has almost constantly been scrambling to find ways to raise more revenue. Third, as Waldner and Smith have argued, the links between rent dependence and political-institutional outcomes affecting the state are empirically on shaky grounds (Waldner and Smith, 2015). They write: "We are thus struck by the large discrepancy between the fundamentals of rentier state theory and the weak empirical and

---

<sup>25</sup> According to Moore, this is a characteristic of many post-colonial developing countries (Moore, M., 2004).

theoretical support for it” (Waldner and Smith, 2015, p. 725). The concrete mechanisms by which rent income would lead to the ineffective implementation of existing taxes are also largely unclear. Chaudhry’s account of the “decay” of Saudi Arabia’s tax apparatus has essentially been discredited as empirically false by Robert Vitalis (Chaudhry, K. A., 1997; Vitalis, 1999). The study of Egypt’s “rentier” phase which will take place in Chapter 2 can therefore produce important empirical material which could further elucidate this question.

In addition to these historical trajectories of fiscal politics, some scholars have also considered the historical patterns of state formation and state-society relations to be relevant for present-day tax collection, but they are still few in number. Speaking about the regional context of Sub-Saharan Africa, Wilson Prichard hinted in a footnote to the fact that a

“lack of trust in the state in relation to tax issues may be reinforced by the history of taxation in sub-Saharan Africa, which has been characterized by conflict and illegitimacy [...]”. The “modern” tax systems that remain in place today were introduced to a significant degree during the colonial period, in a process that was both externally driven and highly coercive [...] and thus not surprisingly was met with hostility and derision amongst the local population. [...] While poorly documented, there is evidence that this history has continued to shape perceptions of taxation, particularly at the local level, where poll taxes, the hallmark of colonial taxation, have been a lightning rod for controversy [...]” (Prichard, 2015, p. 8)

Kate Meagher further argued that “fiscal policy cannot assume a tabula rasa, but must address historical legacies of trust or mistrust”, a point that I intend to address via the Egyptian example (Meagher, 2016, p. 14).

To this end, I can draw on important theoretical work and empirical findings in areas other than taxation. Bo Rothstein, for example, argues that collective memories shaped by political entrepreneurs are an important vehicle for change (Rothstein, 2000). In later research, he also emphasised the need for repeated positive experiences of government for trust to arise (Rothstein, 2011). In a similar fashion, Bustikova and Corduneanu-Huci also show how the historic failure to satisfy citizens’ needs results in low trust in the state, and how, conversely, early positive experiences with a capable state bred trust (Bustikova and Corduneanu-Huci, 2017). They write: “historically rooted positive experiences with a good, but not necessarily

wealthy, state breed trust in public institutions and undermine clientelism” (Bustikova and Corduneanu-Huci, 2017, p. 280). Such a “good” bureaucracy would successfully deliver public goods that citizens want, building a reputation for competence (or incompetence if the opposite is true). And Becker *et al.*, for instance, showed how in regions that used to be part of the former Habsburg Empire, whose borders cut across numerous present-day Eastern European states and which had a fairly well-functioning bureaucracy, trust in the state apparatus is higher than in the regions of today’s countries that were not part of it (Becker *et al.*, 2016). These findings therefore highlight the importance of studying state formation and early state-society relations, as well as the experiences citizens have had of the state and the public administration over time.

Perhaps the most comprehensive model – and certainly the most influential in the political science of taxation – combined rational choice and historical institutionalism to explain why and how states were historically able to collect taxes: Margaret Levi’s theory of “predatory rule” (Levi, 1988). It states that “rulers” maximise revenue, but “not as they please” (Levi, 1988, p. 10). They do so “subject to the constraints of their relative bargaining power vis-à-vis agents and constituents, their transaction costs, and their discount rates”, which “determine the choice of revenue system” (Levi, 1988, p. 10). The three components of her model are themselves all effectively determined by structural factors.

Relative bargaining power, transaction costs and discount rates are in and of themselves useful notions and together they probably capture most of the factors which effectively determine to what extent, and how, a government can raise taxes. As a matter of fact, the model is perhaps too good. Maybe due to its parsimony, it is also relatively vague and very malleable. One can virtually always fit the model to the empirics because the specification of what constitutes its three elements is hazy and subject to interpretation and therefore allows anybody to make evidence and model fit. John Dryzek, in a review of Levi’s book, makes a similar point noting that “selective [...] evidence itself may be pre-interpreted in light of the theory [allowing] substantial elasticity when it comes to matching theory and evidence. [...] With enough pre-interpretation of evidence, the theory cannot lose” (Dryzek,

1990, p. 309).<sup>26</sup> He shows, for instance, how the discount rates of William Pitt the Younger, a British Prime Minister during the Napoleonic Wars, could very plausibly be categorised as either high or low (Dryzek, 1990, p. 309).<sup>27</sup> A similar argument could be made with respect to relative bargaining power. In a situation in which a “ruler” would depend mainly on landed elites for his power, one could contend that his bargaining power is low. But land being an immobile asset, one could equally claim that it is the elites’ bargaining power which is low.

In sum, it can therefore be said that institutionalist analyses make important and powerful contributions to our understanding of tax collection and are able to account for important parts of the empirics we can observe. The influence of historical institutionalism has been particularly important for the study of taxation as it taught scholars about the importance of embedding theories of taxation in a historically informed analysis of state formation and state-society relations. In my own analysis I will when appropriate or helpful acknowledge, draw on and build upon the findings in this strand of the literature, with the aim of painting a more complete picture via an integration of normative and ideational factors, in particular at the micro-level. Indeed, many institutionalist arguments are quite abstract, situated mainly at the macro-level and at times at the risk of being overly structuralist. This may apply to a lesser extent to some of the micro-level rational choice analyses of taxation, but the latter are still equally insensitive to the potential role of norms and ideas.

#### **iv. Neopatrimonialism paradigm**

A fourth strand has argued that weak tax collection is essentially a

---

<sup>26</sup> He even goes so far as to write that “it is not so clear that Levi’s case studies move beyond the redescription of history in the language of rational choice” (Dryzek, 1990, pp. 309–310).

<sup>27</sup> He writes: “For example, William Pitt the Younger is ascribed a low discount rate on the grounds of his length of tenure in office [...]; secure in the knowledge that he was likely to be around a lot longer, he valued future revenues highly in comparison with current ones. Thus Pitt devoted his energy to reorganizing government rather than maximizing immediate revenues. Now, if one wanted to explain a high level of extraction by Pitt, one could point to the threat of war with Napoleonic France necessitating a high rate of discount on his part.” (Dryzek, 1990, p. 309).

function of the “neopatrimonial” nature of the state. Although defined in a number of different ways, neopatrimonialism is generally understood to mean a hybrid form of organisation combining the Weberian ideal-types of “patrimonial” (i.e. personalistic, traditional, informal) and “rational-legal” domination (Bratton and van de Walle, 1997; Clapham, 1985; Erdmann and Engel, 2006; von Soest, 2010). States keep up a façade of formal bureaucratic practices, but in reality, clientelism, patronage and corruption constitute the vector by which rulers govern (Chabal and Daloz, 1999). The concept has been particularly influential in African studies, but in Middle East political science it has been widely relied upon as well (Eisenstadt, 1977; Hinnebusch, 2010; Pawelka, 1985; Schlumberger, 2008; Springborg, 1979).

Within the literature on taxation in developing countries, the neopatrimonialism paradigm has also been an important vector of analysis (Kiser and Sacks, 2011; von Soest, 2007; von Soest *et al.*, 2011). “Particularistic politics of rulers” and the abrogation of the distinction between “public and private realm” characterise neopatrimonial tax administrations (von Soest *et al.*, 2011, p. 1307). Basically, the ruling politicians intervene in tax collection by placing individuals of their choice (usually from a similar geographic, ethnic or socio-political background) in key positions, strategically tolerate corruption and wrongdoing for political purposes, and torpedo efforts at tax reform. In his studies of tax administration in Zambia, Christian von Soest argues that tax collection underperforms due to its patrimonial management (von Soest, 2007). Later, he and others sought to expand the concept to other countries across Sub-Saharan Africa, Latin America and South East Asia, but showed that neopatrimonialism does not have equally detrimental effects on tax collection everywhere, and therefore limiting the applicability of the concept (von Soest *et al.*, 2011, p. 1308).

While I would argue that neopatrimonialism may certainly describe or label some broader trends and phenomena in politics and tax collection, including in the Egyptian case, the concept is, in my view, too generic to accurately render the political and administrative realities of tax administration. First, I believe that neopatrimonialism is excessively top-down and pyramidal, and assumes that virtually all actions further down in the pyramid are ultimately decided at the top, by the president (Bratton and van

de Walle, 1997; Pawelka, 1985). Neopatrimonialism thereby underestimates the agency of actors at lower echelons of the hierarchy and the way in which they can shape and influence state action. Second, neopatrimonialism tends to over-emphasise personal linkages and systems of clientelism over political-distributional decisions. To be sure, managers within tax administrations may surround themselves with clients, they may hire friends or relatives, and they may tolerate corruption at lower levels. The general public may draw on its own social network to circumvent tax laws. But neopatrimonialism has strong difficulties in accounting for tax collection patterns that are not based on clientelist politics, like non-enforcement for fear of political upheaval or due to the influence of moral economies.<sup>28</sup>

This flaw also reveals some of the normative pitfalls of the concept. When developing countries, in particular African and Middle Eastern ones are studied, governance and distributional politics are systematically reduced to corruption and clientelist power-relationships, ignoring the ideational origins and underpinnings of such policies, their legitimate political nature, as well as the widespread reliance on similar political strategies in industrialised Western countries. I will in my own analysis therefore reject the concept in favour of a more nuanced analysis of governance and distributive politics.

#### **v. Political economy analyses**

Other scholars have focused more strongly on contemporary class and political economy dynamics. How taxation functioned and how successful it is, is largely seen as a reflection of the power distribution between different actors or classes in society (Best, 1976; Fairfield, 2015; Hollenbach, 2015). Typically, this means that if taxes are not effectively collected, or even certain changes in legislation prevented, this is due to the disproportionate influence

---

<sup>28</sup> On Sub-Saharan Africa, Therkildsen makes a similar argument: “To claim that African states are neopatrimonial, as many analysts do, may often tell us little about how politics and administration actually work there” (Therkildsen, 2014, p. 139). He further argues that neopatrimonialism unfairly attributes narrowly defined self-interest as what motivates patrons and clients (power, economic advantages, etc.), again ignoring other drivers that have been recognised as important in other studies of bureaucracies, such as “conviction (i.e. ‘doing good for my country’); professionalism (‘doing things right’); or involvement in decision-making (i.e. as an employee in running the organisation; as a politically active citizen)” (Therkildsen, 2014, p. 124). Thus, “patrimonial practices are just one reason (albeit an often important one) among many for non-compliance with legal rules and regulations” (Therkildsen, 2014, p. 140).

of economic and political elites. Best, for example, showed early on how those taxes which should be the preferred taxes of the majority of Central American countries' populations have the lowest yield, while the least preferred and, conversely, most preferred from the point of view of elites, were most widely relied upon (Best, 1976). Taxes on land and agricultural income which would affect the landed classes were therefore low, and taxes on consumption which disproportionately burden the masses, were relatively high. Hollenbach argues that inequality in authoritarian countries makes investments in "fiscal capacity" unattractive, because they may, in case of democratisation, be used for redistribution (Hollenbach, 2015).

In the Egyptian case, Samer Soliman claimed that the strength of the local business community explains why different Egyptian governorates used different strategies to raise additional revenues for urban renovation and the beautification of public space (Soliman, 2011, pp. 87–95). In Alexandria, the governorate relied on donations from the business community, whereas the governor of Qena was able to push through an increase in, and stricter enforcement of governorate fees and fines. He concludes that it is the absence of a strong business class that allowed an "enlightened" governor to enforce rules whereas more powerful business interests in Alexandria prevented this. Thus, there is a reasonable amount of consensus on the fact that powerful elites often try and are sometimes able to prevent more effective taxation.

In recent years, scholars working on realms of governance other than taxation have also begun to show how the same dynamics of "non-enforcement" may in fact operate for the benefit of poorer strata of society. Alisha Holland's research on (non-)enforcement of bans against street vending and squatting in Bogota, Santiago and Lima is a good example (Holland, 2016). She shows how local politicians deliberately choose not to enforce laws depending on the state's distributive policies and the local electoral geography. When formal social policies fail to provide certain goods (affordable housing, jobs) poor constituents who informally circumvent official laws will put political pressure on local politicians to refrain from enforcing the law, which is what city and district mayors will do if it is in their electoral interest – even if the capacity for enforcement is available (Holland, 2016, p.



238). She conceptualises this intentional non-enforcement as “forbearance”, according to which politicians – not bureaucrats – must have the institutional ability to enforce the law if they wish to do so, it must be intentional, and it must be revocable (Holland, 2016, p. 232).

While Holland provides a coherent framework, it is not entirely clear why only politicians and not bureaucrats could intentionally, revocably, and for political reasons, not enforce laws. This assumes a very top-down view of how states function; one in which politicians come up with political decisions and bureaucrats either follow orders or do not – a view that Michael Lipsky famously challenged in his seminal book on the “street-level bureaucracy” (Lipsky, 1980). In other words, she perhaps unnecessarily restricts the scope of her framework, thereby missing the ways in which bureaucrats may also act from political motives or are influenced by political logics they may have integrated as citizens or at their job. In earlier work, she further argues that in authoritarian countries “enforcement politics is more likely to reflect national concerns, such as social stability, internal security threats, urban-rural migration patterns, and regime legitimacy” rather than an alternative way of redistributing resources in society (Holland, 2014, p. 40). It is therefore still unclear whether socio-economic or quasi-redistributive concerns may also motivate deliberate non-enforcement in authoritarian countries.

In sum, the key strands in the literature that sought to answer similar research questions to the one I am interested in, have therefore generated illuminating insights on many different key aspects of tax collection and the enforcement of laws. I consider some, like capacity-based concepts or neopatrimonialism to be largely theoretically and sometimes also empirically inadequate, whereas structuralist, institutionalist, and political economy analyses are in my view somewhat better able to capture certain economic and political drivers of the effective enforcement of tax laws.

However, I argue that the picture of the history and politics of tax collection is incomplete. Two things are notably absent. First, the top-down orientation of most existing theories means that the lower echelons of the tax administration, and more the specifically the tax collector, have received little attention, except in models that depict the civil servant as a strategic actor

trying to extract rents for him- or herself and his or her group network. Second, existing strands struggle to integrate the ideational and normative aspects of enforcement and tax collection, and in particular how and to what extent this plays a role in everyday tax collection. Judging by the existing literature, socio-economic structures and institutions seemingly dictate how effectively and efficiently taxes are collected. But there are strong reasons to believe that ideas, norms, beliefs and expectations, in particular of “front-line” civil servants, affect how the state governs in practice. This double gap has been corroborated by scholars of taxation such as Joshi *et al.* who pointed out the “need for more research on the perception of [tax] administrators” (Joshi *et al.*, 2012, p. 23). In the second part of the literature review I will discuss some of the ways in which these shortcomings could be addressed.

## **b. Conceptual and empirical pathways to addressing the gaps in the literature**

Thankfully, in our endeavour to further improve our understanding of the politics of tax collection, we need not to start from a blank slate and are able to build on very useful theoretical and empirical contributions from a range of disciplines. In a first sub-section, I will review ways in which scholars have sought to move beyond “political will” and more accurately render the mid- and top-level reluctance to enforce taxes. Following that, I shall discuss different ways in which we could pay more attention to the normative dimension of tax collection, and how to best achieve this conceptually. Finally, I will assess what we can learn from empirical studies that have more specifically focused on studying public administrations at the micro-level, in Egypt and other countries.

### **i. Making sense of the top-level politics of non-enforcement**

How can we be more precise in our analysis of how political dynamics push administrative and political leaders to prevent effective tax collection? And how do top-level actors concretely go about non-enforcement? Can we really speak of intentional non-enforcement for political reasons? The

literature has so far produced mixed results in this respect. Joshi *et al.* show that by and large authors in the tax literature stuck to the “simple story” arguing that politicians just weigh the cost and benefit of collecting taxes more effectively, which explains why they are not keen on expanding in particular direct taxes on lower and middle classes (Joshi *et al.*, 2014). In other words, for many authors “simple political logic prevents politicians with short time horizons from alienating large constituencies by trying to impose taxes that raise little revenue” (Joshi *et al.*, 2014, p. 1337).

While most scholars would agree to the basic rationale of the analysis, when such logics apply and how they translate concretely to weak and uneven tax collection is subject of much more debate. Middle East political scientists Cilja Harders and Béatrice Hibou are for example sceptical of the proposition that the state or the government deliberately provides a “safety valve” by not enforcing certain laws, including in the realm of taxation (Harders, 2003; Hibou, 2011, p. 144). Ineffective implementation should rather be interpreted as the “sometimes unintended but happily accepted products of many different processes of change on the national and local level” (Harders, 2003, p. 209). And Hibou, working on Tunisian taxation, makes the argument that if leniency is a conscious policy, this is due to the willingness of the Ben Ali government to use taxation as an instrument to discipline the population (Hibou, 2011). Tax evasion is tolerated, but only to build up leverage that can help the government to punish potential political dissenters and adversaries (Hibou, 2011, pp. 186–188).

Although not working on taxation, scholars like Tandler or Holland have on the other hand emphasised the conscious and explicit exchanges of weak enforcement for electoral support between politicians and actors in the so-called “informal sector” (Holland, 2016; Tandler, 2002). Dorman’s concept of “risk avoidance”, which he argues may “provide an explanation for the routine non-enforcement of laws and regulations at the street level”, is another case in point (Dorman, 2007, p. 60). He argues that “authoritarian rulers [...] may even sometimes refrain from action – retreating from apparent challenges to their authority – so as to avoid the risk of creating issues around which bottom-up mobilization might occur” (Dorman, 2007, p. 37). Close to what Holland would later write, his work “suggests that even in non-

democratic settings [...] social forces do have the ability to affect state policies” and that states must be “responsive to public opinion and accommodate bottom-up interests” (Dorman, 2007, p. 37). So clearly, from Dorman’s perspective, there is a degree of intentionality in the Egyptian state’s inactivity, even if Dorman acknowledges the importance of capacity constraints, and even if his concept of “neglect” seems to denote more of a semi-conscious decision to tolerate certain illegal activities.<sup>29</sup>

To the extent that upper echelons in the state do refrain from effective tax collection in a conscious manner, the motivations of actors are also not entirely clear. The fear of losing elections or triggering protests is most plausible, but as Holland’s work suggests, we perhaps also need to consider the potential redistributive rationale in favour of certain groups in society.

Thus, scholars have begun to explore the concrete and detailed “chain of command” in non-enforcement. But so far, the scholarship has not come to a consensus and more studies on what drives top-down non-enforcement and how it functions are still needed.

## **ii. Integrating the social and normative dimension of enforcement**

Throughout this literature review, I also argued that the study of the politics of tax collection and the enforcement of laws needs to integrate a normative dimension because norms, expectations, values and beliefs of actors matter for how laws are implemented in practice. Such an approach essentially means taking factors that the literature generally accepts as impacting taxpayer compliance and state-society relations just as seriously for our analysis of tax collector enforcement and intra-state relations. In other words, what matters for compliance matters for enforcement.

Indeed, for decades researchers have studied what drives taxpayers to pay taxes. This body of literature is too large to be adequately summarised here, but there has been increasing consensus on some key findings. Earlier work that viewed taxpayers exclusively as making rational calculations based

---

<sup>29</sup> Which is why Holland considered “forbearance” to be distinct from “risk avoidance” and “neglect” (Holland, 2014).

on the detection rate, the level of the penalty for evasion, and then made compliance decisions accordingly (Allingham and Sandmo, 1972), has to a large extent been discredited. To be sure, there is still evidence that compliant taxpayers tend much more to believe that they will get caught and punished if they do not comply but this is completely disconnected from objective risk (Scholz and Pinney, 1995). Today scholars agree that different social, ideational and normative factors also play an important role. Some studied the effects of trust, others the role of the values, norms, beliefs, etc. (Alm *et al.*, 2006; Brautigam, 2008, p. 6; Levi, 1988; Rothstein, 2000, 2011; Slemrod, 1992; Torgler, 2003; Webber and Wildavsky, 1986; Wenzel, 2004).

Despite this consensus on the importance of these factors for the taxpayer's willingness to pay, an investigation of whether similar factors may be affecting tax collectors' willingness to collect, is still lacking. Two areas where such an endeavour could be particularly promising, are trust and moral economies. The former has already received extensive scholarly attention in the studies of taxation, both theoretically and empirically, whereas the opposite is true for the latter.

Margaret Levi was among the first to pay attention to trust in the context of taxation. Viewing it as a collective action problem, she argued that a tax system's effectiveness depends on whether or not taxpayers trust (a) that the government will make others pay, and (b) that the government will spend the money on something the taxpayer values (Levi, 1988). At first, these were largely theoretical arguments. But over time, empirical research has corroborated the claims (D'Arcy, 2011; Feld and Frey, 2002; Fjeldstad, 2004; Kjaer, 2009; Slemrod, 2002). We therefore largely know that the behaviour of taxpayers is influenced by their experiences of the tax administration. But, all around the world, tax collection is – sometimes more, sometimes less – still carried out by human beings and their behaviour, too, is likely to be influenced by their trust in the taxpayer, their colleagues, their superiors and the state.

The origins of trust itself have been retraced to a number of factors, but state-society relations seem to play a critical role. Whether individuals think that the government treats them and others fairly or impartially seems to be one of its biggest determinants, but inaction in reducing inequality or unfair

dispensing of public services also play a role (Mishler and Rose, 2001; Rothstein and Uslaner, 2005). With respect to these latter aspects, Rothstein and Uslaner show that some countries may be stuck in social traps of low trust, whereby the reforms that would result in a fairer treatment of all citizens and a more equal society are themselves impeded by low levels of trust (Rothstein and Uslaner, 2005). And as I explained further above, Meagher and Prichard have speculated that different historical patterns and qualities of state-society relations may very well explain differences in tax relations today (Meagher, 2016, p. 14; Prichard, 2015, p. 8).

In addition to trust, recent research has emphasised the importance of government provision of public goods (Ali *et al.*, 2014; Bodea and LeBas, 2016; D'Arcy, 2011). People are more willing to comply honestly with tax laws if they feel that the government provides public services that are valued. What kind of services are valued may actually vary from country to country, as work published by Ali *et al.* demonstrated (Ali *et al.*, 2014). But so far, if a connection between public goods provision and tax collection was established, this was always based on the point of view and attitude of the individual taxpayer. However, what if other mechanisms could also be at work? What if the moral economies of public service provision affect the likelihood and willingness of the government or individual tax collectors to enforce collection?

Some initial evidence going in that direction can be found in work by Asya El-Meehy on state retrenchment in Mubarak's Egypt (El-Meehy, 2009). Her doctoral dissertation does not cover taxation but seeks to explain why the government "pursued 'hidden retrenchment' entailing dilution of universal benefits, conversion of social programs to new beneficiaries and institutional layering, without the explicit overhaul of welfare policy frameworks" (El-Meehy, 2009, p. iv). She argues that it is mainly the "regime's power maintenance logic and a prevailing moral economy of social entitlements" that explain this particular management of state retrenchment in welfare (El-Meehy, 2009, p. iv). Her work speaks to mine on several important points: it indicates that regime concerns or perceived threats, as well as Nasserist moral economies, shape the state's intervention in society and the economy –

much more than economic and capacity constraints.<sup>30</sup> Empirical examples include leniency with defaulters on subsidised loans, the non-enforcement of loan requirements that would be detrimental to civil servants, as well as the distribution patterns of subsidised small business loans.

The concept of moral economy she uses can, in my view, be useful in the context of taxation as well. Developed by Polanyi, and famously popularised by E. P. Thompson and later James C. Scott, it was usually used to describe the rejection of market logics by certain groups as these violated commonly held notions of justice (Arnold, 2001; Polanyi, 1957; Scott, 1977; Thompson, 1971). These dynamics were often read or interpreted in terms of clashing economies or cultures, or in class terms (Arnold, 2001, p. 85; El-Meehy, 2009, p. 182). But Thomas Clay Arnold provided a useful reconceptualisation of moral economy based on social goods, that formed the basis for El-Meehy's understanding of the "moral economy of social entitlements" as "collective beliefs about social citizenship entitlements and just distributional policies in Egypt's contemporary economy" (Arnold, 2001, p. 85; El-Meehy, 2009, p. 183). Largely subscribing to that understanding, but perhaps also closer to Arnold's "social goods"-based approach, I will try to use the concept in a more decentralised, micro-level manner. In other words, I believe it can be useful to break down broader collective beliefs about social rights, or the role of the state, and study to what extent different a broader moral economy of a "caretaker state" is actually constituted by different sets of moral economies that exist among different groups of actors.

To return to El-Meehy's work, I also believe that my empirical work can complement hers. El-Meehy's research describes how, at the top- and mid-levels of government, policies of welfare provision (mainly subsidised loans) were adapted to reflect broader political and moral economy concerns. At the micro-level, however, it is less clear if and how moral economy dynamics can help explain the behaviour of civil servants (in her case, it rather seems not). A more in-depth investigation of the micro-level therefore has great potential.

---

<sup>30</sup> She shows, for example, how the state's poverty-mapping capacities are actually quite significant, but that political resistance from the Ministry of Planning explained resistance to new mapping (El-Meehy, 2009, p. 226).

In the study of tax collection however, the notion of moral economy has thus far hardly ever been used or investigated. The two exceptions I am currently aware of is recent work by Prichard and van den Boogaard, and by Twijnstra *et al.*, both of which focuses on how moral economies shape the extent to which tax collectors can enforce certain taxes in rural areas of Sub-Saharan countries (Ghana and the border area of South Sudan and Uganda respectively) (Prichard and van den Boogaard, 2017; Twijnstra *et al.*, 2014).

Although not explicitly using this conceptual terminology, it perhaps even more important to point to important research done by Joshi and Ayee, who have been the first and to a certain extent the only ones to pay attention to the reasons why street-level tax collectors may or may not be inclined to do certain jobs, thereby beginning to draw attention to tax collectors' motivations (Joshi and Ayee, 2008). They explain: "[...] for individual tax administrators, enforcing compliance among small operators is an unfulfilling task. It is poorly rewarded, offers few opportunities for large rent seeking, and is widely viewed as, at best, lacking prestige, or, at worst, degrading. [...] educated tax collectors resented having to interact with illiterate, poor, and sometimes violent operators in the informal economy, a task they viewed as not being 'professional'" (Joshi *et al.*, 2014, p. 1338; Joshi and Ayee, 2008, p. 190). Joshi and Ayee seem to frame their analysis of tax collectors largely in terms of career incentives and poor reward structures. But as Joshi *et al.* have pointed out themselves, there is still much more to learn about the tax collectors' perspective (Joshi *et al.*, 2012). For example, to what extent are perceptions of different tasks be affected by self-perceptions of social status? How is the motivation and commitment of tax collectors influenced by disappointed expectations of state support and broken moral economies of civil service employment?

I therefore believe that there is promise in paying closer attention to the normative universe of the tax collector and to expanding the moral economy approach by not only applying it directly to interactions between taxpayers and tax collectors, but also, for example, extending the investigation to the shared norms, expectations and attitudes of tax collectors, to how they carry out their job, to what they expect of their employer, etc.



### iii. A new focus on frontline civil servants

To this end, it is possible to build on a base of existing scholarship on public administrations and the work of frontline civil servants. In particular, I believe that the research programme one could dub “States at Work”, based on the edited volume by anthropologists Thomas Bierschenk and Jean-Pierre Olivier de Sardan aggregating much of this literature, is particularly promising (Bierschenk and Olivier de Sardan, 2014a).

In 2001, the French anthropologist Jean Copans – writing with reference to Africanist sociology and anthropology – asked whether states were “states without civil servants” (*“États sans fonctionnaires”*), so conspicuous is their absence from much of social science research on the region (Copans, 2001). In my opinion, the question would have been equally valid if it had been addressed to much of contemporary political science, irrespective of regional specialisations.

In their book, Bierschenk and Olivier de Sardan address this problem and argue for the ethnographic, empirical study of the state as it is lived and practiced:

“this book focuses on the daily functioning of state services: how public servants spend their time, how teachers are being trained and socialized into their jobs, how judges, policemen and teachers define their role in society, how they see their future and how they negotiate all of the conflicting demands made of them, by their clients, their relatives and superiors and the outside agencies that have increasingly defined a role for themselves in disciplining African public servants according to their own norms.” (Bierschenk and Olivier de Sardan, 2014b, p. 4)

They openly break with abstract, macro-level and top-down theories prevalent in political science, as well as with more “discursive or symbolic” approaches such as the “anthropology of the state” literature represented for example by the research published in Sharma and Gupta’s edited volume (Sharma and Gupta, 2009). Olivier de Sardan argues that we should therefore study “practices” rather than “representations”, because while “the images the state itself wishes to project or those expressed in public discourse [...] are studied, [...] ordinary people’s perceptions of the state or those of public servants

themselves (both types often being ambivalent and contradictory) are rarely investigated empirically” (Olivier de Sardan, 2014, p. 402).

As they are right to point out, there is a very good reason to put such strong methodological emphasis on studying civil servants and understanding the concrete, everyday practices of bureaucrats at work. It is that the human factor, the motivation of the staff, is actually more important in the context of poorer than richer countries. The lack of material resources and difficult working environment of civil servants in Africa but also many other developing countries mean that “staff efforts beyond the call of duty are required to get things done”, as Therkildsen explains and as Hamani shows in her study of judges in Niger who commit considerable private resources (both time and money) to actually “make the state work” (Hamani, 2014; Therkildsen, 2014). And the power of the bureaucratic leadership to control things at lower echelons is typically weaker, meaning that civil servants often have to get on alone.

#### **iv. Building on studies of the Egyptian state**

Thus far, the “States at Work” approach has found no emulators in Egypt or the MENA region. However, there are several works on public administrations that should prove to be helpful. On the inner workings of the Egyptian tax administration itself, we unfortunately know virtually nothing, as the only fairly detailed studies of Egyptian tax collection date from 1961 or earlier. That year, Egyptian tax employee Mohammed El Sahrawi published a German-language PhD dissertation on the administration of taxes in Egypt (El Sahrawi, 1961). It portrays in great detail the functioning of the tax administration in its early days. To the best of my knowledge, this is the first time this source has been utilised and I will draw on it extensively for my historical analysis (Chapter 2).

If we broaden our scope to encompass relations between taxpayers and the administration at the micro-level, Diane Singerman’s brief investigation in her book “Avenues of Participation – Family, Politics and Networks in Urban Quarters of Cairo” is worth mentioning. Although this book covers life and state-society relations in a poor neighbourhood of Cairo more

generally, she dedicates roughly 10 pages to the quarter's relationship with taxation (Singerman, 1995). According to her, "the issue of taxation seemed to symbolise the *shaab*'s<sup>31</sup> interaction with the state" (Singerman, 1995, p. 222). Based on extensive fieldwork, her account helps us give a detailed on-the-ground description of what tax relations were like in that particular spatial and temporal context. She writes that "an overwhelming sense of inefficiency, mistrust, and exploitation surrounds the public perception of taxation in this community" (Singerman, 1995, p. 222). Unfair and cumbersome regulations, and arbitrary treatment by tax collectors have created resentment and fuelled counteracting evasion tactics. Much of what she describes is still an accurate picture of today's tax relations, but there are differences too. She mentions several people who got arrested and some also prosecuted for tax evasion, something that in present-day Egypt and the Egypt of the late Mubarak years, at least to the best of my current knowledge, has become much rarer if not altogether inexistent. This begs the question why this is the case, and shows that Singerman's empirical material will also be of use for within-case comparisons, as it provides similar data to that which I aim to collect, but from a different period in history.

Another brief field-researched study on why the betterment levy is, in practice, almost never collected, was published by Mohamed Nada, an Egyptian employee of UN-Habitat and the Ministry of Housing (Nada, 2014). The betterment levy is a tax which is supposed to be applied on value gains in private properties due to public improvements nearby or the re-labelling of agricultural land as urban buildable land, but neither of the two tax administrations are formally responsible for its collection (governorates are responsible). Based on interviews with Egyptian government officials amongst others, it is a rare study that looks in more detail at state-society relations at the local level and how they may hamper effective enforcement of laws. He broadly argues that a combination of a history of centralisation, lack of coordination, ignorance, lack of capacity, and state-society issues (lack of legitimacy, low trust) can help explain the outcome. His empirical material will

---

<sup>31</sup> *Shaab* literally means people in Arabic. But it can also have a social connotation, designating "ordinary" people. "*Shaaby*" (its adjective) neighbourhoods are popular neighbourhoods (in a class sense).

prove useful for within-case comparisons. However, as a practitioner more concerned with issues of decentralisation and urban planning, his extremely empirical work somewhat lacks focus, fails to draw broader conclusions and to engage with the existing scholarly debate on the enforcement of laws and state-society relations.

If we cast our net even wider to include studies of the Egyptian bureaucracy more generally, more useful scholarship can be found. Morroe Berger's "Bureaucracy and Society in Modern Egypt" is key to understanding the late monarchical and early republican bureaucracy (Berger, 1957). In addition to important archival research, Berger's work is based on an original survey data set among higher civil servants, where he finds lack of initiative and fear of superiors, recurrent traits of studies on the Egyptian public administration and other bureaucracies of the region as well (Berger, 1957, p. 7; Hertog, 2010). Three decades later, Palmer *et al.* conducted another – again non-representative – survey confirming much of Berger's findings but adding more depth, detail and nuance (Palmer *et al.*, 1988). Amongst other findings, they learned that productivity in the administration was very low, that upper echelons wanted to concentrate authority, and that lower ranks sought to avoid responsibility and were largely incapable of innovation. It also points to some more very important and interesting issues. For example, the surveys indicated that prestige was a main incentive for civil servants, more so than money, job security, etc. Although the studies are several decades old, ask different questions using different methodological tools, they should, like Singerman's study, provide useful secondary material for within-case comparisons.

Lastly, Ayubi's seminal "Bureaucracy and Politics in Contemporary Egypt", a book based on his doctoral dissertation, constitutes the most comprehensive study of Egypt's public administration (Ayubi, 1980). Ayubi's work was crucial in that it improved our understanding of how the Egyptian political and administrative spheres intertwine, or rather how the deliberately technical and scientific nature of bureaucracy-led development inevitably clashed with political considerations of exercising or maintaining political control over the state apparatus or the population. Bureaucrats often have interests that are often in conflict with those of political leaders. But Ayubi

stays vague with respect to what these interests are and why they clash. While I generally agree with his assessment that political factors are crucial obstacles in the everyday implementation of policies, Ayubi fails to systematically analyse what these political factors are and where they originate.

The literature on the Egyptian state apparatus therefore provides important insights into the functioning of the bureaucracy and also its history. But for several decades, there has virtually been no original research on it, and even less so on “street-level bureaucrats”, despite the major changes that have occurred in the 1980s, 90s, and 00s (e.g. liberalisation, privatisation, administrative reform, etc.).

In this sub-section, I tried to present and evaluate some empirical and conceptual pathways that have helped or could help to improve our understanding of the enforcement of tax laws. Despite the achievements of the research carried out by scholars in recent years, I argue that there is still much promise and great potential in further probing the ideational and normative politics of taxation, in particular by adopting a perspective that takes the micro-level actors of tax collection seriously. This is what I will try to achieve in this dissertation.

### **3. Research design and analytical framework**

In this section, I will present the research design and analytical framework of the thesis. First, I will motivate the choice of a largely inductive, exploratory case study, which I deem to be the most appropriate approach to achieve the key research objectives of the project. I will then specify and delimit the variables and the scope of the study. Finally, I will discuss the broader analytical framework used in this dissertation, the research design used in the empirical chapters.

#### **a. Objectives and approach**

The literature review has shown that the existing scholarship has produced a number of important theories on the question of weak tax collection. However, it has also become clear that certain perspectives had been neglected or hypotheses left largely unexplored. Addressing these gaps therefore requires an exploratory research approach that tries to uncover neglected factors and refine our understanding of existing ones. Inductive research approaches are particularly suited for hypothesis-generation (George and Bennett, 2005; Gerring, 2011; Levy, 2008; Rihoux, 2006), but also for building new theories (Eckstein, 2000; Flyvbjerg, 2006). This is therefore the wider approach adopted in this dissertation. But as John Gerring was right to point out, there will never be a neat separation between inductive and deductive and research typically draws on elements from both approaches (Gerring, 2011, p. 174). In this case too, the research has essentially been inductive but also took note of existing hypotheses derived from the literature.

More specifically, the literature called for a greater focus on the perceptions of tax collectors (Joshi *et al.*, 2012, p. 23). I also pointed out our often limited understanding of the factors commonly said to affect tax collection play out in everyday contexts, the potential role of norms and expectations in tax collection, as well as how more generally lower levels of the hierarchy interact with taxpayers and the upper echelons of the state apparatus. The case study approach fits this overall need for an inductive, in-depth and micro-level approach the best (Gerring, 2004). It addresses other objectives of the project as well. It was indeed also my goal to provide a rich and detailed account of how *Egyptian* tax collection works in practice, and why it does so the way it does. In a world where, as Gerring formulated it, we always have to some extent make a trade-off between “knowing more about less and knowing less about more”, my priority is more on the former than the latter (Gerring, 2004, p. 348).

However, as Gerring also explains, a case study is always a study of something “*tout court* and [...] of something more general” (Gerring, 2004, p. 345). In fact, his very definition of a case study as “an intensive study of a single unit for the purpose of understanding a larger class of (similar) units”, points to the idea that all case study research will inevitably seek to produce

some larger insight (Gerring, 2004, p. 342). In a similar fashion, my research on Egyptian tax collection also aims to improve our broader understanding of taxation, the enforcement of laws, of state-society relations, and the functioning of public administrations in other countries around the world.

The ability to generalise from this particular case depends to a large extent on the selection of the case (Flyvbjerg, 2006, p. 229). In section 1., I showed that the case of Egypt was particularly puzzling because it clearly underperformed in terms of tax collection, based on factors such as economic development, corruption, external rent, etc.

But what, if anything, does explaining Egypt's poor performance tell us about lax tax collection more generally? I would argue that the factors I identified during my research on Egypt are not necessarily different *in nature* from what is likely to be found elsewhere around the globe. While limited, the findings by Joshi and Ayee for example indicated that the perceptions of Ghanaian tax collectors of certain duties with respect to the taxation of the informal sector affected how they were carried out (Joshi and Ayee, 2008, p. 190). Gerhard Anders' account of intra-bureaucratic struggles over civil service reform in Malawi describes conflicts and fault lines that I found in Egypt as well (Anders, 2014). Greece has in the wake of its fiscal crisis become notorious for its lax tax collection, which scholars have explained with distrust and perceived unfairness of tax authorities (Kaplanoglou and Rapanos, 2013). In other words, an analysis of Egyptian tax collection is likely to yield insights on a wide range of other cases too. And to that end, it is useful that in Egypt the factors I identify are likely to be particularly strong and prevalent, even more so than elsewhere.

Indeed, I believe it makes more sense to study a country that performs clearly worse than we expect, that on the one hand has higher structural capacity, a long history of statehood, a developed administrative apparatus, but that on the other hand also has "higher values" on the factors that I posit to be contributing causes of a low tax take (particularly strong historical legacy of distrust, particularly strong moral economies, a regime particularly sensitive to popular discontent, etc.).

Another advantage of the case study approach is that it allows us to more easily investigate the historical origins of the causal factors at work. I

not only believe that it is of general interest to understand where for example entrenched patterns of distrust come from, but that ideational and normative phenomena are also always a co-product of contemporary developments and historical trajectories.

Lastly, there were also practical concerns that, in combination with the aforementioned points, dictated the choice of the case study approach. A study providing the depth and detail I aim for, whilst also covering more countries than just Egypt would have required considerably more time and means. In particular, given the challenges of conducting research in Egypt alone such a task was effectively beyond the scope of this PhD.

### **b. Scope and timeframe of the project**

The field of taxation is vast and encompasses various types of taxed goods and services as well as numerous different actors involved in their payment or collection. Not all of them will be covered in this study. I am above all interested in the taxation of the domestic Egyptian society and economy. The effective taxation of multinational corporations is an issue of immense importance, in particular for developing countries. Governments of the Global South are often struggling to deal with the highly sophisticated globalised tax optimisation strategies that such large entities can afford to implement. But by and large, fighting these phenomena depends on international co-operation rather than on the actions of states alone. Very large Egyptian corporations, many of them publicly owned (e.g. banks, oil companies, etc.) are also not the main focus of this analysis. The dynamics of compliance and enforcement are usually quite different from the rest of society. Despite their avoidance and minimisation strategies, most large corporations comply voluntarily and collection is relatively painless for the tax administration (even if it requires numerous working hours from some of the most competent people in the administration).

The focus of the dissertation is therefore on the collection of sales, income and property taxes from SMEs and individuals. The vast majority of the taxpaying population are situated in this category. For many, there is



much greater scope and tendency to eschew the tax man and conversely effective collection often requires active administration of taxes.

From a temporal perspective, the thesis will concentrate mainly on explaining leniency in the enforcement of contemporary tax collection. By contemporary, I mean roughly the period from the nomination of Egypt's "reform cabinet" in 2004, which under the leadership of Ahmed Nazif would serve until the 2011 uprising, to the year 2015/16 and the struggle surrounding the civil service reform. During these 11-12 years, the country underwent a period of "neoliberal" reform, as well as an "upgrading" of authoritarian governance (Heydemann, 2007), a brief revolutionary period, followed by a quick counter-revolution and the consolidation of a more authoritarian and repressive regime. From a fiscal point of view, the period was eventful as well, as it witnessed major reforms of income, property and later sales taxes, as well as an administrative restructuring of the tax administration.

The historical investigation seeking to retrace some of the factors I hypothesise to contribute to lax enforcement will naturally reach beyond this timeframe, but the dependent variable remains the lax enforcement of tax laws in contemporary Egypt.

### **c. Analytical framework**

The investigation of the research question will be located at three distinct empirical levels of tax collection: (1) the everyday relations between taxpayers and the tax administration; (2) the intra-state relations between frontline civil servants and the bureaucratic hierarchy; and (3) the top-level governance of tax collection. These levels capture most of the processes and the three main groups of actors involved in taxation, from economic actors to low-level administrators to the administrative and political leadership. The focus on these different scales of analysis should therefore also capture most of the key sources of non-enforcement, from issues at the interface level, to problems within the administration and the decisions of the leadership. Chapters 3, 4 and 5 will each be focusing on one of these levels, respectively.

i. Hypotheses

The main hypothesis that I put forward in my research is that a legacy of distrust and the consequences of a persistent but broken social contract contribute to lax enforcement.

This affirmation can be further broken down into three hypotheses:

(1) distrust, both in state-society and in intra-state relations;

(2) moral economies among tax collectors;

(3) and, regime fears of political upheaval

all result in laxer enforcement of tax laws.

Hypotheses (1), (2) will be particularly prominent in Chapters 3, 4, and 5 while hypothesis (3) will play a bigger role in Chapter 5. In Chapter 2, I will through an exercise in historical sociology attempt to retrace how these three factors became defining characteristics of modern-day tax relations.

The hypotheses I put forward are not rival, mutually exclusive hypotheses but I instead contend that they are active at the same time, though as I shall show in the analytical framework below, not in similar ways and to the same extent at different levels of analysis. For some hypotheses, the complementarity may be intuitive, but for distrust and moral economies for example, one could argue that they are in conflict, that a moral economy assumes a link of solidarity and therefore of trust among its members. This is true but the distrust I talk about is one between tax collectors and taxpayers, and between different hierarchies, groups and institutions within the state, not within these groups themselves. And if, as I do, we rely on Arnold's conceptualisation of moral economies as shared sets of understandings on what constitutes legitimate provision and regulation of social goods (or goods recognised as such), it becomes clear that tax collectors can for example distrust the taxpayer or the head of the administration, all the while sharing among their colleagues a similar set of expectations of how the state should treat its employees (Arnold, 2001).<sup>32</sup>

---

<sup>32</sup> Abdel-Basset for instance noted a high degree of solidarity among peers in the Egyptian civil service (Abdel-Basset, 2009, p. 72).

Based amongst other things on the existing literature we can also derive a number of alternative explanations for the lax enforcement of tax laws:

- Capacity constraints
- Rational, strategic behaviour by economic actors, tax administrators and politicians
- The neopatrimonial functioning of tax collection and the state apparatus
- The political and economic environment of post-revolutionary Egypt

In most instances, I do not necessarily deny that these factors also play a role in shaping the outcome at hand. I acknowledge their effect but also demonstrate that my hypotheses are valid as well and have thus far been largely neglected. In some cases, I will try to refute alternative hypotheses. In the next sub-sections, I will briefly present the concrete research design adopted in each chapter that aims to answer the broader research question and demonstrate the validity of my hypotheses.

## ii. Chapter 2

Chapter 2 will show how the three factors I put forward in my hypotheses became historically defining features of Egyptian tax collection. A historical sociology of tax collection allows us to better understand the historical, sociological and cultural context which I argue matters in particular when it comes to contextualising certain practices, norms and expectations in tax collection.

The analysis will focus on how three key dimensions evolved over time, and what consequences this had for Egyptian tax collection: (1) the structure of the tax system and distribution of the tax burden, (2) the administrative apparatus, and (3) the quality of tax relations.

Through a cross-time comparison from early 19<sup>th</sup> Egypt to the Mubarak era, I retrace these different dimensions across time and seek to understand why and under what circumstances lax enforcement of taxes came about. At

the same time, the investigation will allow us to understand how and why my three research hypotheses I put forward above came to be salient factors of Egyptian taxation.

iii. Chapter 3

At the micro-level, the picture of Egyptian tax collection is one of tax returns filed late, intermittently, or not at all, of underreported and over-assessed income, ignored and unenforced documentation requirements, seldomly applied fines and sanctions, and lengthy appeals and disputes. The chapter will look at the 2005 income tax reform and its aftermath in order to explain why despite explicit efforts to achieve a transformation in tax relations, collection practices and administrative functioning, these efforts have achieved limited results on the ground.

The empirical focus of the analysis will be government attempts (1) to establish trust between taxpayers and the tax administration in filing and assessment procedures (2) have a stricter enforcement of sanctions; as well as the (3) difficulties with physical taxpayer registration (and related sanctions for non-compliance).

Alternative explanations include that the political and economic context after the revolution forced the government and the tax administration to halt or revert reforms; that tax collectors are merely protecting rent-seeking opportunities; and that administrative capacity is lacking.

In order to limit the influence of other, alternative explanations, the investigation will amongst other things draw on “most-” or “least-likely” cases. Thereby we focus on a case where a certain outcome, where if the hypothesis were true, we would be most or least likely to see a given outcome. Concretely, it is possible to leverage the geographical location (e.g. type of neighbourhood, degree of formality, etc.), the administrative capacity of different tax departments or offices, the type of worker (e.g. office-based, fieldworker), etc. In addition, I will compare outcomes in different political and economic contexts (e.g. before and after the revolution).

iv. Chapter 4

In Chapter 4, I aim to understand how dynamics between low-level tax workers and the state shape the way in which they carry out their job. The chapter will focus on three issues that negatively affect the enforcement of tax laws, namely (1) the weak internal disciplining of wrongdoing; (2) absenteeism or low work morale; and (3) the lack of intra-administrative cooperation and reform resistance. These are some of the ways in which intra-bureaucratic dynamics can affect the effective collection of taxes.

Common hypotheses are that tax collector behaviour can be explained by the desire to protect or justify rent-seeking preferences, weak institutions, or the objectively poor socio-economic situation of employees.

Like in Chapter 3, I will again try to leverage data gathered on different types of employees, practices and institutions in order to control for these hypotheses.

#### v. Chapter 5

In the final empirical chapter, I focus on the top-level of administrative and political decision-making and try to establish how top-level actors contribute or not to the weak enforcement of tax laws, and for what reasons.

I will focus on the implementation of the 2005 and 2008 income and real estate tax reforms, as well as on a number of administrative changes that were made during these years. In addition, I will discuss the case of income tax collection at the source from civil servants.

Alternative explanations for why the political and administrative leadership did not effectively enforce tax collection are the lack of administrative capacity, and the rational preference for quick, positive collection results.

I will again rely on most-likely cases in order to control for alternative explanations such as administrative capacity. We would for example expect all tax collection at the source to be particularly easy to do, even more so if one is talking about the government's own employees.

#### vi. Schematic overview of analytical framework

Table 1 below provides an overview of the analytical framework of the dissertation. It shows the three distinct levels of analysis that will constitute the focus of Chapters 3, 4, and 5; the key actors under investigation at each level/in each chapter; the key cases used in the empirical investigation; and the importance and salience of the three main research hypotheses.

Table 1 – Analytical framework

Scale of analysis	Actors under investigation	Concrete case under investigation	Main hypotheses (in order of importance)
Interface level (Chapter 3)	Economic actors (non-/taxpayers), street-level tax collectors	2005 income tax reform	Distrust, moral economies
Intra-bureaucratic (Chapter 4)	Street-level tax collectors, management/leadership	Absenteeism/low work effort; corruption; low co-operation/reform resistance	Moral economies, distrust, regime insecurity
Top-level (Chapter 5)	Administrative and political leadership	Payroll taxation at the source; 2005 income tax reform; agricultural land tax update	Regime insecurity, moral economies, distrust

In the next section I will outline the research methods employed for the dissertation that I deem to be most adapted to the research design: a combination of qualitative fieldwork and archival research.

#### 4. Research methods

In this section, I shall present and discuss the research methods employed for this research project. I mainly relied on semi-structured interviews and what Kapiszewski *et al.* refer to as “site-intensive methods”, in other words “the collection of evidence from human subjects within their ordinary settings, where the researcher’s interaction with the surroundings (as well as his specific questioning) informs the study” (Kapiszewski *et al.*, 2015, p. 238). The concept was coined to better capture the broad continuum of research practices and “intensity of immersion” commonly subsumed under the single term “ethnography” (Kapiszewski *et al.*, 2015, p. 238). I

complemented the site-intensive methods with archival research, as well as the analysis of written or visual documents gathered from the press, online video platforms, TV programmes, government publications, and consulting firm or donor reports.

#### **a. Interviews and site-intensive methods**

##### **i. Usage of methods**

The research projects rests first and foremost on 21 months of fieldwork conducted in Egypt from September 2013 to September 2014, and again from May 2015 to January 2016. The choice of semi-structured interviews and ethnographic fieldwork follows from the research project's objectives, design and constraints, as well as from the methods respective strengths.

As I explained in the previous section, I decided to adopt an inductive and very much exploratory research approach to studying the politics of tax collection. Field research is particularly well adapted to working in “unchartered territory”, as its strengths lie in the generation of new questions, hypotheses, and theory (Fenno, 1978; Kapiszewski *et al.*, 2015; Levy, 2007; Schatz, 2009). But it is also the particular focus and perspective I adopt that informs this choice. As Evelyn Brodtkin put it, “ethnographic approaches contribute to the methodological toolbox of political inquiry because they allow one to see different things *and* to see things differently” (Brodtkin, 2017, p. 132, emphasis in original). On the one hand, the goal of the project is to lay the focus on a different object – the micro-level interactions of ordinary tax collectors and taxpayers. On the other hand, I am interested in studying these actors in ways which reveal norms, perspectives, attitudes and expectations vis-à-vis the state, taxpayers or the tax administration, their job, their role in society, etc. To this end, it is necessary to understand their point of view and their social context. Wedeen quotes J. C. Scott arguing that “you can't explain human behaviour behind the backs of the people who are being explained. If you want to understand why someone behaves as they do, then you need to

understand the way they see the world, what they imagine they're doing, what their intentions are" (Scott, quoted in Wedeen, 2010, p. 259).

There are a number of advantages to preferring open-ended interviews and site-intensive methods over surveys. While the latter may offer greater statistical representativeness, they are less suited for inductive, exploratory research and further allow for little natural interaction with and free expression of the subject, yielding more superficial insights. Furthermore, surveys typically require the approval and co-operation of the tax administration leading to this type of research usually only taking place in countries with a certain level of openness. Interviews and site-intensive methods are further particularly useful for the analysis of processes and mechanisms, enabling us to see how the often more abstract concepts and theories of the literature actually play out in real life (Kapiszewski *et al.*, 2015, p. 205). Indeed, as I have argued in the literature review section, some of the more abstract macro-level concepts and theories tend to obscure rather than uncover the concrete political dynamics happening in intra-state and state-society relations.

Within the broader continuum of fieldwork methods I employed, ranging from formal semi-structured interviews to ethnography, some tools were more suitable for achieving certain objectives than others. An ethnography of taxpayers, while certainly also a highly interesting and worthwhile endeavour, was for example less sensible than an ethnography of tax collectors. This is, above all, because for taxpayers, taxation is only a miniscule part of their professional and personal life. As shopkeepers, professionals, landlords or employees they may pay taxes, but it is something that happens only once or a few times a year. The group identity of the taxpayer is rather abstract and taxpayers rarely talk with each other about taxation. For the employees of the tax administration things are of course radically different. Here, taxation is a constitutive element of the group members' identity.

Thus, my fieldwork tended to be skewed more strongly to ethnography or site-intensive methods when it came to employees of the tax administration, and more strongly to semi-structured interviews when taxpayers and more elite actors (e.g. experts, consultants, high-level



government officials, etc.), with tax lawyers and chartered accountants, whom I also spent a lot of time with, somewhere in the middle.

In total, I conducted 90 interviews with a wide range of actors: (non-)taxpayers (44), lawyers and accountants (8), tax collectors (17), mid- and top-level managers of the tax administration (3), a municipal shop licensing worker (1), former ministers of finance (5), foreign tax-specialised development consultants (3), and experts (9).

The nature and duration of the interviews varied. At times, I was only able to sit for twenty minutes with a shopkeeper. In other cases, I spent entire evenings socialising with tax collectors or lawyers. In addition to interviews I conducted then, I had several more informal conversations with tax collectors, as well with ordinary citizens. Sometimes, I took notes of these conversations after they took place. I did not count keep a detailed account of these conversations, but I would estimate that I had roughly 20 of them. I further made observations during visits of tax offices, of labour union meetings, and social after-work gatherings (probably around a dozen or so). I also draw on many other observations made during the numerous visits that were aimed at conducting interviews in certain neighbourhoods, shops, offices, etc. Finally, I complemented my own observations with the wealth of videos featuring tax collectors, tax officials and ministers of finance available on YouTube. Most importantly, they provided many additional hours of material of tax collectors discussing issues they deem important, such as improvements that could be made to tax collection, the reform of the civil service statute or corruption within the administration.

The majority of interviews, including all interviews involving members of the tax administration, were conducted in Egyptian Arabic. During some of them, a research assistant I hired was present to translate if this was necessary. This mainly applied to interviews with taxpayers and was, with two exceptions, never the case with tax collectors. Overall, I was fortunate enough to have progressed to a level where I did not need the translation services during the interview very often, but it was always helpful to be able to rely on him when I did not understand something or was unable to express myself correctly, or – very importantly – to point out or confirm something that

the interviewee was hinting at without actually saying it.<sup>33</sup> Interviews with actors who spoke English and, more rarely, French or German were conducted in these languages. This was mostly the case with former ministers, consultants, academics and other experts, and a small number of taxpayers. Finally, it is worth mentioning that I am also still in possession of notes and transcripts of some of the interviews I conducted in 2010 for my master's thesis on the tax reforms implemented under former minister of finance Youssef Boutros Ghali.<sup>34</sup>

I selected and gained access to interviewees in several different ways. At the highest level, I sometimes opted for trying to achieve a full sample, trying for example to interview as many former ministers of finance as I could. I managed to interview three ministers whose total time in office covers 13 years from the 17-year period from 1999 to 2016 and another one who served during the 1970s. For other elite interviews, I purposefully sampled development consultants who led specific technical assistance programmes with the ETA and the RETA, managers of public administration reform programmes, as well as experts on fiscal decentralisation or corruption. These actors were chosen for their specific knowledge of questions of interest to the research project.

As I was above all interested in learning more about the experience of “ordinary” people with taxation instead of the tax dealings of large enterprises or “high-net-worth individuals”, my interviews at the taxpayer level were quite precisely delimited in scope. I spoke to business owners, managers, accountants or lawyers of micro-, small- and medium-sized enterprises, to members of liberal professions and to salaried employees. Their tax status was not an exclusionary criterion and I naturally sought to interview both compliant and non-compliant actors.

The sampling of informants followed a different logic than the elite interviews. My approach was influenced by Mario Small's 2009 article “How many cases do I need?’ On science and the logic of case selection in field-

---

<sup>33</sup> During interviews with taxpayers, the research assistant proved particularly important as he was more skilled in navigating me through the sensitive waters of talking about corruption. He was very familiar with how people would skirt around the issue. Once the ice was broken, everybody was usually at ease and I was able to talk quite openly with them about it.

<sup>34</sup> These were elite interviews with consultants, former tax officials, experts, academics, journalists and politicians, all conducted in either English or French.

based research” (Small, 2009). Small argues that in most cases, a qualitative, interview-based fieldwork strategy would, in order to lead to a representative sample in the statistical sense, need to consist of several hundred interviews, which is rarely feasible (Small, 2009). In addition, randomising the sample is often not an option either, since most of the time we cannot freely decide who to talk to (Small, 2009). Instead, he calls for a research strategy based on “case study logic” and “sequential interviewing”, as opposed to “sampling logic”.<sup>35</sup> Small writes:

Case study logic, in Yin’s terms, proceeds sequentially, such that each case provides an increasingly accurate understanding of the question at hand. In a case model, the number of units (cases) is unknown until the study is completed; the collection of units is, by design, not representative; each unit has its own probability of selection; and different units are subject to different questionnaires. The first unit or case yields a set of findings and a set of questions that inform the next case. If the study is conducted properly, the very last case examined will provide very little new or surprising information. The objective is saturation.” (Small, 2009, pp. 24–25)

In order to achieve this saturation, he suggests “sampling for range”, “snowballing” and “identifying unique cases” (Small, 2009, p. 28). But this requires – and Small does not talk about this – some way of selecting new cases through which one is likely to encounter or learn new things (in a way, a form of purposeful sampling).

In my research I tried to do this by using my own contacts to interview entrepreneurs, professionals and employees of different age, geographic location, size, legal status, and sector, constantly trying to branch out and “snowball” into new and different groups of taxpayers I hadn’t spoken to yet. Following Small’s strategy, I refined my assumptions and hypotheses after each “case”.

However, after some of my own network’s contacts and opportunities for branching out and “snowballing” into new types of actors were exhausted, randomly contacting or engaging (non-)taxpayers in Egypt was not a feasible

---

<sup>35</sup> “Sampling logic refers to the principles of selection associated with standard survey research. In a sampling model, the number of units (e.g. individuals) to be studied is predetermined; the sample is meant to be representative; all units should have equal (or known) probability of selection; and all units must be subject to exactly the same questionnaire. [...]” (Small, 2009, p. 24).

strategy. The risk of drawing unwanted attention to myself was too high. I therefore contracted the services of a Cairo-based research assistant with an extensive professional and personal network and who has previous experience in working with researchers and journalists.<sup>36</sup> He was recommended to me by an American PhD student who had used his services during her field research in Egypt. The research assistant's job was to help me find potential interviewees, to make logistical arrangements for the interviews, to accompany me to the interviews and to introduce me to the informants, and to translate if this became necessary. Given the prevailing research environment, his work not only ensured that relationships of trust were quickly established between the interviewee and myself, but it also enabled me to go and conduct interviews in areas and with people I would have not been easily able to visit.

Eventually, as I was conducting and transcribing interviews, analysing them for dominant themes and constantly refining my analysis, fewer and fewer new insights followed, key points were repeated, and after some time I reached saturation, at least on a number of key points.

With respect to the people working for the Egyptian tax administration, I used yet another approach as a consequence of both research design preoccupations and practical constraints. For reasons I described above, I chose more ethnographic methods to study tax collectors. The selection of the settings and the actors to engage with was practically constrained by the fact that an official research permission would not be granted and opportunities for access were therefore fewer in number and more likely to be found in Greater Cairo. Nevertheless, my selection process also followed research-related criteria: I wanted to learn more about the 'street-level' tax collectors who make up the majority of the institution's staff. I was therefore less interested in senior-level management or elite units (though I also spoke to people from these groups).

In a difficult research environment, I managed to achieve a first breakthrough after getting into contact with a few tax collectors via the independent trade unions of tax collectors. Some of these workers became

---

<sup>36</sup> At some point during fieldwork, the research assistant left the country. I therefore hired a replacement with the same set of skills.

key informants over time, and I spent time meeting and socialising with them. They would later help me get branch out to other workers, including from outside Cairo. After some time, this strategy again reached its limits. I therefore drew on my personal network and further tasked my research assistant to seek out additional potential tax worker interviewees. However, after a few additional interviews and promising leads within the tax administration, the research environment again drastically deteriorated with the disappearance and tragic death of Cambridge PhD student Giulio Regeni, convincing me of the necessity to end fieldwork.

ii. Specific research challenges in post-coup Egypt

Doing fieldwork in a hostile research environment that became even more so during my stay was a very challenging endeavour. Long before Egypt entered a new phase of its history in early 2011, conducting social science research had been difficult, but not impossible. To be sure, co-operation from official authorities could never be expected<sup>37</sup> and conducting research on sensitive political topics has, in the past, led to scholars drawing unwanted attention to themselves. But in general, the atmosphere in the country and the behaviour of the state towards foreign researchers during the mid- to late 2000s reflected Mubarak's "softer" brand of authoritarianism.<sup>38</sup> After the uprising, things began to change in different ways.

On the one hand, in 2011-2012 the situation for researchers was somewhat easier as interlocutors felt freer and less fearful of speaking to researchers. The democratic change was quickly "owned" by government officials and civil servants, and because the events in the country were positively portrayed abroad they tended to have less of an impression that the

---

<sup>37</sup> This is something I already experienced during field research for my master's thesis in 2010. With luck and good references, one may gain access to public officials as well, but usually this will not lead to access to non-public data, official research permissions, or any other form of co-operation.

<sup>38</sup> Perhaps another difference was the number of Western researchers, expatriates and tourists living and staying in Egypt in the 2000s which probably allowed for a higher degree of anonymity than the post-2011, and in particular the post-2013, situation which was marked by a considerable exodus of Westerners.

research would tarnish Egypt's image.<sup>39</sup> I noticed this change myself during an exploratory field research trip in 2012, during which it felt easier to access people in positions of higher political and administrative responsibility.

On the other hand, counter-revolutionary forces within the security apparatus (army, police, and intelligence services) were already in the midst of their analysis of the events of early 2011, by which they seemed to have been largely blindsided. They seem to have concluded that the proximity between the educated Cairo intelligentsia and the population of researchers, NGOs, and Western expatriates created a symbiotic force that inspired the uprising. Accordingly, these ties had to be severed, which explains why despite the pursuit of a democratic transition roadmap, the Supreme Council of Armed Forces (SCAF) forcefully moved against foreign NGOs. In 2012, the interim government launched a controversial TV advertisement campaign that instigated distrust and suspicion of foreigners, in particular journalists and researchers on the ground, insinuating that they could be spies.<sup>40</sup> In March 2013, the prosecutor general encouraged Egyptians to make "citizen arrests" of people committing crimes (which include spying, blasphemy, etc.), including foreigners.<sup>41</sup>

---

<sup>39</sup> In addition to fear for personal repercussions if superiors find out, a number of public officials have internalised a certain way of thinking – marked by a "rational distrust" of some sort – about social science research. But it was actually a downtown Cairo shopkeeper, whom I talked to with my research assistant in order to arrange an interview, who best summarised this view that bad things will probably come from co-operation with researchers. The shopkeeper was kind and willing to speak to me, but gave us a friendly word of advice. He told us to be careful given my research topic. He then turned to me and asked me whether there is something good to write on Egyptian taxation. I answered, "I don't know, probably not that much..." He just replied: "See?"

<sup>40</sup> <http://english.ahram.org.eg/NewsContentP/1/44258/Egypt/Video-Egyptian-state-TV-launches-antispying-advert.aspx>

<sup>41</sup> <http://english.ahram.org.eg/NewsContent/3/12/66612/Business/Economy/Enactment-of-citizens-arrest-deals-blow-to-Egyptia.aspx> This paranoia reached its perhaps most bizarre high point when a peasant in Upper Egypt had performed a "citizen's arrest" on a stork because he suspected that the electronic device on his leg could be a tool for spying (authorities fairly quickly realised that it had of course been tracking equipment used by French scientists to monitor bird migration patterns). <http://www.independent.co.uk/news/world/africa/french-spy-swan-detained-in-egypt-after-citizens-arrest-is-neither-a-spy-nor-a-swan-8793319.html> In October of the same year, a Briton was arrested in the North Sinai city of El Arish due to possession of clothes that resembled those of Egyptian security forces. The motives or the identity of the man remain unknown but what is more important is that he was arrested after the authorities "received information that 'there is a foreigner who goes to coffee shops in Arish and interacts with citizens'".

<http://www.telegraph.co.uk/news/worldnews/africaandindianocean/egypt/10278159/Egyptian-man-arrests-swan-on-suspicion-of-spying.html>

The beginning of my fieldwork was scheduled for the autumn of 2013. Just weeks earlier, president Mohammed Morsi had been deposed by the army. I had booked my flight tickets for mid-September at the beginning of August, when few people could yet imagine the events that would take place over the next months and years. But only a week later things already looked very different as soldiers and policemen fired live ammunition into large crowds of pro-Morsi protesters who had camped for weeks at two different sites in Cairo. On that day, 14 August 2013, within a couple of hours, between 800 and 1,000 people were shot. In the following month, the situation was tense but stable, according to friends who told me that in everyday life not much had changed for people who avoided certain hot spots and remained uninvolved in current political events.

Upon arrival in mid-September 2013, a military-enforced curfew<sup>42</sup> and a state of emergency were still in place, which were eventually lifted almost two months later. While Egypt moved forward on its new “transitional roadmap”,<sup>43</sup> the government intensified its ferocious crackdown against all remaining opposition forces. The Muslim Brotherhood (MB), its leadership, members and sympathisers – real or alleged – were at the top of the target list and thousands had already been jailed in the days and weeks after the coup. But as the security apparatus crushed the organisation it moved in late 2013 against secular opposition forces, most of which had always stood in opposition to both the military and the MB. Journalists and academics were not spared. Quite to the contrary, many of them faced arrest, travel bans, expulsions, or were denied entry despite being Egyptian citizens.

The first months in Cairo were therefore a difficult environment for research. The political situation was still deteriorating and within the state the reactionary forces were on the rise. While I tried and managed to secure a small number of interviews, I decided to spend most of my time further investing in my language skills. As the situation stabilised and my network of contacts increased I was able to make greater progress in 2014, but

---

<sup>42</sup> During my first two months in Egypt, the curfew went into force every night from midnight (later 1am) until the morning hours, except for Fridays when it started at 7pm. It was lifted, together with the state of emergency, in November 2013.

<sup>43</sup> The roadmap featured the approval of the new constitution in a referendum in December 2013/January 2014, presidential elections about five months later followed by parliamentary elections in the fall of 2015.

interviews with taxpayers were still problematic. It was too risky to approach them directly in certain neighbourhoods and then 'snowball' my way through interviews. With tax collectors the situation was different as I was usually referred among trusted colleagues and friends.

After seven months spent in London for a teaching assignment between September 2014 and April 2015, I returned to Egypt in order to complete my fieldwork. By that time, most non-violent political opposition to the new regime had been annihilated, and freedoms of expression, of the press and of assembly, as well as academic freedom, were effectively nonexistent. A violent insurgency, mostly targeting members of the security apparatus and the judiciary, was ongoing and from time to time spilled over from the main battlefield in the North Sinai governorate to the capital and other cities. The economy was still not recovering, and worse, after the money from the Gulf's massive first aid package ran out, a foreign exchange crisis was on the horizon.

In late 2015, the regime grew more nervous. It feared that the fifth anniversary of the revolution on 25 January 2016 could be the occasion for renewed protests. On the day itself, Giulio Regeni, a Cambridge PhD student researching independent labour unions in post-2011 Egypt, went missing somewhere between the South Western district of Dokki he called home and Downtown Cairo, where he was headed to visit a friend. His lifeless body was later found with the characteristic marks of the victims of the regime's torture facilities. At the time of writing, in the summer of 2017, the government still denied involvement in his death. But the efforts of the Regeni family, journalists, human rights activists and Italian prosecutors have allowed so many testimonies and evidence to surface that there seems no doubt that he died at the hands of government agents, having been in their custody for several days.<sup>44</sup> After this tragedy, fieldwork was essentially over. Despite some gaps in my empirical material, I felt that I had accomplished enough given the circumstances and concluded that the risks were too high both for myself and for potential interlocutors.

---

<sup>44</sup> By far the most detailed and thoroughly researched account of this tragedy to this day is "Why Was an Italian Graduate Student Tortured and Murdered in Egypt?", published on 15 August 2017 <https://www.nytimes.com/2017/08/15/magazine/giulio-regeni-italian-graduate-student-tortured-murdered-egypt.html?mcubz=0>



### iii. Potential limitations and biases

To what extent could these difficulties surrounding fieldwork access have affected the kind of data that was collected? I would argue that there was no significant effect on access people I could speak to except for tax officials. Elite interviews were largely unproblematic and I was able to interview the people I wanted to interview. To that end, it probably helped that the topic of taxation was largely understood to be more economic and technical rather than political. With taxpayers, accountants and lawyers, it was rare that people I or my research assistant reached out to were unwilling to speak to me. And it is highly unlikely that these very few non-respondents were a group that was different from the general population in terms of experiences, views and opinions on taxation. It was also rare that the interviewees seemed guided in their answers by the current political environment. Some taxpayers voiced support for the government, but complaints were at least as common. In any case, people by and large discussed their personal experience with and views of the tax administration or the government/state (*el hukuma*) in more abstract, institutional terms (as opposed to say, the el-Sisi government). If people did feel constrained, this was rather due to the very personal nature of paying taxes which involves talking about money, business practices, and perhaps even illicit dealings involving bribes. But as I wrote above, this reluctance was usually abandoned as the interview progressed.

The situation was somewhat different when it came to tax officials. Because they work for the Egyptian state, civil servants tend to be much more cautious when it comes to speaking to a researcher, on top of that a foreign one. And since the administration is also much smaller than for instance the larger population of taxpayers, finding somebody who knows a person working for the tax administration is itself not an easy task (walking directly up to tax collectors was too risky). All of this meant that access to tax collectors was difficult to obtain.

One could then take issue with the fact that I gained access to tax collectors via independent labour unions, that several of my informants were

active members and that they were also more outspoken when it came to organising conferences or protests. Indeed there could be a bias in the sense that I probably spoke comparatively less often to passive or very satisfied members of the tax administration. But then again, the independent tax collector unions have tens of thousands of members and at the time of fieldwork a large majority of staff in the ETA and the RETA were members (up to 75% in RETA), suggesting that union membership is not as special as one may assume. In addition, I tried to address the bias by regularly questioning the workers about how their colleagues feel about the different things we talked about.

Generally, one could also argue that my research suffers from a “Cairo-bias”. The vast majority of my informants were indeed from the Greater Cairo area. However, I also interviewed taxpayers and tax collectors from other parts of the country, including Upper Egypt, the Delta and the Canal cities (i.e. Port Said, Ismailiyah and Suez, all three located on the Suez Canal). During these interviews, I always sought to ascertain whether tax collection and tax relations were noticeably different, and if yes, why, for example by asking questions about neighbouring businesses or local colleagues in tax offices. However, even if I did not achieve a representative distribution of interviewees and was often limited by practical constraints, this needs not necessarily be a bad thing because it is possible to analytically leverage the nature of an area for most- or least-likely arguments. Some of the Canal cities for instance may not be “representative” and have a reputation for higher administrative capacity, but if even there we observe similar collection practices and outcomes this only strengthens the validity of my argument.

Furthermore, there are two more general things to consider when it comes to using site-intensive methods. First, fieldworkers must recognise that informants may have incentives to tell the researcher certain things and omit others. He could have a stake in a positive or negative depiction of the object of study, he could have material interests or he could expect favours in return. In my own case, I would argue that interviewees usually had nothing to gain in speaking with me, which also explains the difficulties in getting to speak to

people (an issue I shall return to in the next sub-section).<sup>45</sup> Otherwise, I think I was usually aware if in some cases my interlocutor had a particular issue that maybe was particularly dear to him, such as specific wrongdoing in the tax administration. By trying to diversify my sources and informants and relying on triangulation, as well as by asking tax collectors, for example, about the experiences and points of view of their colleagues, I tried to minimise the risk of being exposed to a certain agenda, if there were one.

Second and lastly, the use of interviews and site-intensive methods also raises more profound questions and debates on what we can know about human behaviour and motivation. Is what people identify as the reason of their behaviour really what drove it in the first place? Research on precisely this issue in the field of taxation suggests that it is. An article by Wenzel comes to the conclusion that “tax ethics and social norms” are more than “mere rationalisations of self-interested behaviour” (Wenzel, 2005, p. iv). Using cross-lagged panel designs for longitudinal data, he argues that norms, beliefs and attitudes are actually a causal driver of compliance decisions made by Australian taxpayers.

### **b. Archival research, document analysis and secondary sources**

I complemented my use of semi-structured interviews and site-intensive methods with document analysis. The latter took different forms, pursuant of a number of aims. One of the key objectives of the research project was to historically contextualise the factors I would identify as playing a significant role in lax enforcement of tax collection. If we for example assume that norms and attitudes matter, as has been established with taxpayers and like I hypothesised with respect to the tax collectors, then we must also recognise that these are often the result of repeated interactions, collective memories and reputations built over long periods of time. Thus, in order to retrace the origins and evolution of some of these factors an exercise

---

<sup>45</sup> Only once did an informant hope I could intercede for him with a foreign consultant whom I had interviewed and who was heading training programmes in the informant’s administration. But after he realised I could not help him, this did not affect his willingness to co-operate or the way he answered questions in subsequent meetings. We met again on several occasions after this “incident”.

in historical sociology becomes inevitable. Many scholars of taxation share this view and point to the “sticky”, path-dependent nature of taxation which necessarily requires a serious consideration of “historical explanation[s]” (Hollenbach, 2015; Martin and Prasad, 2014, p. 339).

I therefore conducted archival research in the British and French national archives in London and Paris.<sup>46</sup> I further consulted the archives of the World Bank<sup>47</sup> and the IMF.<sup>48</sup> Although a detailed and comprehensive search of their archives was not possible, I also secured a number of documents on technical assistance projects led by USAID. Finally, I searched the archives of the Wikileaks United States diplomatic cables leak, which include US embassy correspondence from 2003 to 2010. The primary source material I found and utilise in this dissertation ranged from roughly 1930 to the present day. In the archives, I searched for any kind of documents offering insights into the functioning of Egyptian tax collection, its administrative apparatus, and more generally into taxation and tax reform in Egypt. In the archives of the international financial institutions and the donor documentation, the available documents were naturally much more focused on issues of fiscal and tax policy.

Moreover, I studied the domestic press, above all online news portals such as *Al Ahram* (Arabic and English), *Al Masry Al Youm*, *Youm7*, *Mada Masr*, *Egypt Independent*, *Daily News Egypt*, etc. I also consulted the *Business Monthly* of the American Chamber of Commerce in Egypt, which often reports on tax-related issues from the point of view of its impact on businesses in the country. In these publications, I again searched for virtually all aspects related to taxation, finding large amounts of valuable information on the state of implementation of existing laws, future reform plans,

---

<sup>46</sup> When, around the beginning of my second fieldwork stay, I wanted to consult national archives in Egypt, I decided that it would be a better choice not to apply for access. I saw a very low chance of being granted access to files on revenue mobilisation by the government, even on historical material. Given the difficulty of accessing tax administration staff and that I still had planned to expand my research activities among them, I also did not want to jeopardise this by drawing unnecessary attention to my research project, some of the contours of which I would have had to reveal to the authorities at the time of application.

<sup>47</sup> I accessed the scanned/digitised archival records available on the World Bank Group Archives website (<http://www.worldbank.org/en/about/archives>).

<sup>48</sup> Initially I consulted documents that are accessible online. I then made a request for the scanning and uploading of boxes of physical Egypt-related documents. The request was only approved and the files made available on 1 August 2017, making their full integration into this thesis challenging and in the end quite limited.

statements by tax administration staff from all levels, data on collection figures, information on corruption or tax evasion investigations, etc.

Last but not least, secondary sources were an important resource for my dissertation. Scholarship from the early 20<sup>th</sup> century to the present day has produced numerous important works on the history of Egyptian taxation, the development of its state apparatus, or policy reform efforts. Thus I drew on a readily available Anglophone academic literature. But perhaps more importantly, I also visited numerous libraries in Cairo and Germany, where I was able to find doctoral theses on tax-related subjects, in some instances written by people who have worked for the tax administration themselves, and works by development experts familiar with the Egyptian tax administration or wider bureaucracy, including in old, now-defunct social scientific publications (above all *Égypte Contemporaine*). This is why I was able to work with what, to the best of my knowledge, are secondary sources that have not yet been used in Western published academic work.

Working with documents naturally comes with its own sets of methodological challenges. One problem was the uneven availability of documents, both primary and secondary. Thankfully, for the contemporary period under study, there was a large body of governmental, non-governmental and press documents. But for some historical periods it was quite difficult to find primary or secondary material. As there is no real remedy to this problem it is important to emphasise the need for transparency. Being open and upfront about the quality of our material we have in it enables scholars and readers to better assess the confidence we can have in the findings.

Critical transparency is also recommended for the way in which we use material produced by the historical sciences. Ian Lustick warned not to treat monographs produced by the disciplines as simply an unquestioned pool of data from which political scientists can draw for their own research (Lustick, 1996). He argued that political scientists often fail to represent the diversity of debates and findings within the historical sciences and cherry-pick the account that best suits one's own explanation. Lustick again largely advocates transparency when it comes to the representation of historiographic evidence and debates in the literature, and a more precise

delimitation of claims. This way, readers can again better evaluate the state of the research in the historical sciences on a particular issue, and thereby judge to what extent the more precisely defined argument that is built upon it is convincing and accurate.

### **c. Research ethics**

These difficult fieldwork circumstances meant that this research project also triggered a number of research ethics concerns that needed to be addressed. I can confirm that they were dealt with in an appropriate manner and that the project was conducted in accordance with the LSE's standards in research ethics.

The most important ethical challenge was the ramifications of conducting research in an authoritarian country with such high levels of repression. My first and foremost responsibility as a researcher was to make sure that I endangered nobody in the field. This meant being transparent about myself and my research. Before interviews began, I introduced myself and presented my research. I informed them, if they hadn't already been beforehand when arrangements were made, that I was not interested in their names, and that I guaranteed anonymity. In fact, in the case of some of my interviews, mainly those with taxpayers, I never even learned the person's full name. Throughout this thesis I therefore refer to my interviewees only by their job category and a number (e.g. taxpayer 23, tax collector 3, etc.).<sup>49</sup>

Protecting informants also meant taking additional physical and technical precautions while out in the field. I usually tried to avoid being openly identifiable as a researcher or journalist, and mostly conducted interviews with taxpayers on the premises of the business. With tax collectors, I often met in cafés around Cairo, including some of which they liked to frequent with their colleagues. In some instances, I was received in tax authority premises. For all other interviewees, their workplace or a café of their choosing was usually where interviews took place. Three interviews were conducted via Skype. Only two interviews, with one person, did not take

---

<sup>49</sup> The exception being former ministers of finance, who sometimes could not be anonymised due to their unique position and role, for example in specific reform projects, making them easy to identify. They consented to being recorded and quoted in this research.

place in Egypt, but in London. Working with a research assistant for most of my taxpayer interviews and a few of the tax collector ones also provided an additional layer of security for all parties involved, as we were linked by trust in common friends/co-workers. In neighbourhoods where sights of Europeans are more unusual, and are thus more easily “reportable” to authorities, it was particularly important to be seen in the company of local residents. After collection, the data needed to be stored securely. I took several technical steps to ensure nothing could be found or accessed by the authorities and that among my personal effects nothing led them to interviewees.

## **5. Argument**

While I acknowledge the effect of low administrative capacity and strategically-behaving or rent-seeking actors on the lax enforcement of tax collection, I argue that the impact of a legacy of distrust not only in state-society but also in intra-state relations, as well as the effects of a persistent but broken social contract have thus far been neglected.

More concretely, I show that coercive and predatory state-building in Egypt produced a lasting legacy of distrust in state-society relations. It is not only taxpayers who distrust the state, but tax collectors also distrust taxpayers, and within the state apparatus there is also distrust between different levels of the hierarchy and different institutions. Attempts to remedy this at the level of micro-level tax relations in the wake of the 2005 income tax reform have largely failed, not only because staff wanted to protect discretionary power, but also because it was difficult to make experienced field staff – who know their counterpart and are regularly in contact with them – trust people they believe to be evaders and therefore forego considerable amounts of revenue belonging in the state’s coffers. In addition, intra-state distrust results in low co-operation within the tax administration and resistance to reform.

Furthermore, I show how a social contract around the responsibilities of the state vis-à-vis both society and its employees took shape over the 19<sup>th</sup> and 20<sup>th</sup> centuries. In particular, under Nasser the duty of the state to employ people who achieve a certain educational level became institutionalised,

progressively leading to massive over-staffing. Furthermore, among civil servants shared norms and expectations as to what the job should entail, what can be asked of them, and how they should be treated came about. The same is true for a wider responsibility to provide for ordinary people by regulating the economy and providing free public goods and employment, etc. The inability of the state to live up to high expectations has had important effects on the willingness of taxpayers to pay taxes, but perhaps more importantly also on the willingness of tax collectors to enforce the law. It results in lax tax collection via the refusal to do certain jobs, or doing their job with little motivation, it raises the threshold of what kind of non-compliant behaviour of taxpayers is deemed worthy of punishment, it contributes to the legitimising of corrupt practices, etc.

Finally, since the colonial era and in particular with decolonisation, Egyptian rulers had to increasingly compose with popular political pressures that have on occasion translated into mobilisation. This resulted in a regime insecurity which has – in addition to changes in economic structure – contributed to a shift to a more lenient and less regressive form of collecting taxes in comparison to the pre-colonial and colonial era. However, it also meant that for many years, little was being done to address clear problems in the administration of taxes. The problems became more acute when Egypt's populist social contract ran into fiscal trouble in the 1970s and 1980s. Realising that historical promises are being broken, the regime has now long been hyper-sensitive to potential popular discontent. Thus, instead of strictly enforcing sanctions against filing or bookkeeping violations, or against absenteeism and poor work performance, which all are essential to effective tax collection, leniency towards civil servants and small and medium taxpayers is often the norm.



## **Chapter 2: Egyptian tax collection in historical perspective**

### **Introduction**

The objective of this chapter is to retrace the historical origins of contemporary tax enforcement of tax laws and of the hypothesised causal factors presented in the analytical framework. How has Egypt's weak tax collection historically come about? How did the tax administration, its practices, and its relationship with the population evolve over time? How did distrust and moral economies of a caretaker state become defining features of Egyptian taxation?

In order to answer these questions, I conducted a historical analysis of Egyptian tax collection. The history of taxation in any given country is of course a vast field of study. In order to structure the investigation, I proceeded in a chronological order but focused in each period under study on three main dimensions of Egyptian taxation: (1) the structure of the tax system and the distribution of the tax burden, (2) the development of the administrative apparatus, and (3) the nature of tax relations and collection practices. I relied on a combination of largely secondary sources – some of which have, to the best of my knowledge, never been used before – and primary documents from various archives. This source material has been helpful in generating important insights into the historical evolution of Egyptian tax collection, but I must also admit that my ability to retrace and study these different dimensions of taxation across different time periods was sometimes influenced by the availability and quality of data and scholarship. Therefore, they may at times be treated in different levels of depth and detail.

I first show that modern Egyptian tax relations, as state-society relations more generally, were built on a foundation of coercion, arbitrariness and exploitation. This despotic form of state-building bred distrust that became over the years institutionalised into equilibria and has characterised tax relations until the present day. Widespread distrust will in the next chapters be shown to adversely affect the effective collection of taxes.

Furthermore, in the collection practices we can retrace a shift away from coercive and violent tax collection towards a leniency that largely

tolerates non-compliance beginning in the colonial era. This shift and the persistence of leniency is likely to be caused by a combination of fear of social and political upheaval, some concern for the economic situation of ordinary Egyptians, as well as the changing importance of different tax handles.

Finally, I also show how, from the 19<sup>th</sup> century to Nasser, strongly held expectations, views and attitudes regarding the duty of the state to act as an employer, or what one can call a “moral economy of public employment”, emerged and was progressively institutionalised. It is the simultaneous continuation and breaking of moral economy under Sadat that led to significant problems with staff allocation and the demoralisation of tax collectors.

The chapter engages with a number of different strands of the scholarly literature. It nuances economically structuralist accounts that view levels of taxation largely as dependent on the stage of development and the structure of the economy (Bird, 1992; Hinrichs, 1966; Lotz and Morss, 1970), and further provides more grounds to be sceptical of the claims of rentier effects on tax collection (Beblawi and Luciani, 1987; Chaudhry, K. A., 1997), lending more support to research critical of rentier state theory (Waldner and Smith, 2015). Instead, it contributes to an emerging literature on the long-term effects of conflict-laden state building and state-society relations, notably on trust (Becker *et al.*, 2016; Bustikova and Corduneanu-Huci, 2017), finding evidence for its hypothesised effect on taxation and tax relations (Meagher, 2016; Prichard, 2015). And on the other, it expands on scholarship that pays greater attention to the importance of political agency, ideas and ruling bargains on how revenue is being mobilised (Barnett, 1992).

I shall begin this chapter with an analysis of early modern Egypt, from the rise to power of Mohammed Ali Pasha to the British occupation of Egypt (1805-1882). In a second section, I shall cover the period in which tax matters were effectively controlled by the coloniser (1882-1937), before moving on to the fifteen years of fiscal independence (1937-1952) that preceded the Free

Officers coup in 1952.<sup>50</sup> Then, the focus will be laid on the Nasserist era (1952-1970), before concluding with a discussion of taxation under presidents Sadat and Mubarak (1970-2011).<sup>51</sup>

### **1. The origins of distrust: brutal tax collection and despotic state-building in pre-colonial Egypt<sup>52</sup>**

In 1805, Mohammed Ali,<sup>53</sup> an Albanian commander in the Ottoman army took control of Egypt, after years of struggle over power with various Mamluk<sup>54</sup> factions, who tried to fill the power vacuum left by the British who had displaced Napoleon's expeditionary corps in 1801 but evacuated the country in 1803. In the period from Mohammed Ali's rise to power until his grandson Khedive Ismail was deposed under the pressure of European diplomats in 1879, Egypt's rulers sought to establish a modern state in their quest to become like the more developed European countries. Driven by the desire for military competitiveness, regional domination, and dynastic autonomy, Mohammed Ali and his successors launched reforms that confronted the mainly rural population not only with very high taxes, but more generally with unprecedented intrusion into their lives.

---

<sup>50</sup> By fiscal independence I mean the fact that it is only after the abolition of the Capitulations via the Montreux Convention in 1937 that foreign tax privileges in Egypt ended and the country became fully sovereign in fiscal terms.

<sup>51</sup> Actually, the discussion of taxation in the Mubarak era in this chapter will not be as thorough and not extend to the very end of his rule, as I counted the later years of his rule as part of contemporary taxation that will be the focus of the remainder of this thesis.

<sup>52</sup> Before examining taxation in pre-modern Egypt, a brief caveat is in order. Egypt, as a nation-state as it is commonly understood, emerged only between the late 19<sup>th</sup> and mid-20<sup>th</sup> centuries. Until nationalism gained traction at the beginning of this period, many ordinary Egyptians are likely to have seen themselves above all as members of their local community and also as Muslims, or Christians in the case of the Coptic minority. Its rulers, especially given ethno-linguistic differences with the *fellahin*, the local peasants, had usually not conceived of themselves as "Egyptians" either. What I will be writing about here in the earlier parts of this section is how revenue extraction evolved in the territory that later became the present-day Arab Republic of Egypt.

<sup>53</sup> His Turkish name Mehmet Ali is also commonly used in the literature. I decided to use a transliteration of how Egyptians refer to him today.

<sup>54</sup> The Mamluk Sultanate began after garrisons of military slaves ("mamluk" translates as "owned"), mostly of Turkish and Circassian origin and on which the ruling Ayyubids (1171-1250) had relied, overthrew their masters and took control of Egypt and large parts of the Middle East. Even after their defeat against the Ottomans in 1517, they were still the key component of the country's elite and progressively re-took control of the country, which lasted until the early 19<sup>th</sup> century.

State-building mainly proceeded in two strong pushes under Mohammed Ali (1805-1848) and later under his grandson Ismail (1863-1879). But while their measures yielded quite impressive results in terms of increasing the administrative capacity to tax, I show that this happened in a despotic and predatory way that bred distrust and resentment among the wider population.

Mohammed Ali's extractive efforts were based on the three main tools of taxation, mercantilism/nationalisations, and human mobilisation through forced labour and conscription. What all three have in common is that they were all imposed through coercion, were unpopular with the wider Egyptian population, and were highly regressive. A number of scholars have documented the strain these policies have put on the population, and the resistance that it triggered among it (Fahmy, 1997, 1998, p. 179; Mayfield, 1971; Mitchell, 1988; Owen, 1981, p. 68; Panza and Williamson, 2015). But while it is important to keep in mind the collective impact they had on how the developing state-society relations, I will in this section focus solely on taxation.

### *Tax structure*

As for most societies in early, pre-modern stages of development, the main tax handles in Egypt were agricultural land, and to a lesser extent trade, goods, and personal taxes (poll taxes, income taxes, etc.) (Ahmad and Stern, 1989; Gemmell, 1988; Hinrichs, 1966; Tilly, 1990). Since millennia, the overwhelming majority of the Egyptian population had been peasants which meant that the successive rulers Egypt did not have much of a choice in terms of what could effectively be taxed.

Detailed data is scarce and must be considered quite unreliable, but according to an Egyptian study, under the reign of Mohammed Ali the land tax, accounted for roughly 55% of state revenue, and personal taxes levied mainly in urban areas for another 15%, while other smaller taxes and excises, such as the palm tree tax, are likely to have accounted for another 5% (Qotb, 2006, pp. 70–89). In total, the tax data available in the secondary literature suggests that taxes accounted, on average, for 75% of state revenue under Mohammed Ali's reign (El Sahrawi, 1961, p. 11; Qotb, 2006, pp. 70–89).

However, from these sources it does not emerge what constituted the rest of government revenue. A possible explanation is that they were profits generated by the state monopolies that the ruler introduced, most notably on trade.

Overall, under Mohammed Ali, who was in younger years himself a tax collector back in his hometown of Kavala,<sup>55</sup> the tax burden rose significantly, and it fell to a large extent on ordinary Egyptians (Cole, 1993, p. 85). At first, his tax policies were also used as a political weapon directed against the country's existing elites – the Mamluks, the *'ulama'*,<sup>56</sup> and village headmen – for example when he rose taxes on the old *iltizams* – the Ottoman tax farms – impossibly high, allowing him to confiscate the lands (Fahmy, 1998, p. 148).

Parts of the confiscated lands were initially leased to Egyptian peasants but starting in 1826, and then even more so after financial problems in 1836-37, they were increasingly distributed to members of the royal family and court favourites, most of whom were of Turko-Circassian origin (Sayyid-Marsot, 1985; Vatikiotis, 1991). Over the course of the century they would expand their possessions thanks to a lower tax burden on their land, and form the wealthy landed class that would eventually dominate the country until the Nasserist era. In effect, Mohammed Ali progressively replaced the old elites with his own royal family and a landed nobility on which he and his successors became dependent.

The era of Mohammed Ali's successors Ibrahim, Abbas and Said (1848-1863) was known to be a period of relatively lighter taxation for Egyptians, which is also due to the fact that they did not spend as heavily as Mohammed Ali (El Sahrawi, 1961; Fahmy, 1998). This spelled some relief but it does not mean that these were not also disruptive times for ordinary Egyptians. The country's economy shifted more and more towards cash cropping based on private property, a transformation accelerated by the cotton boom of 1861-1865.<sup>57</sup> These developments and the introduction of

---

<sup>55</sup> Kavala is a town in the historic province of Macedonia, and is located in modern-day Greece.

<sup>56</sup> The *'ulama'* are the religious scholars who study, teach, interpret and apply the Islamic religion and laws.

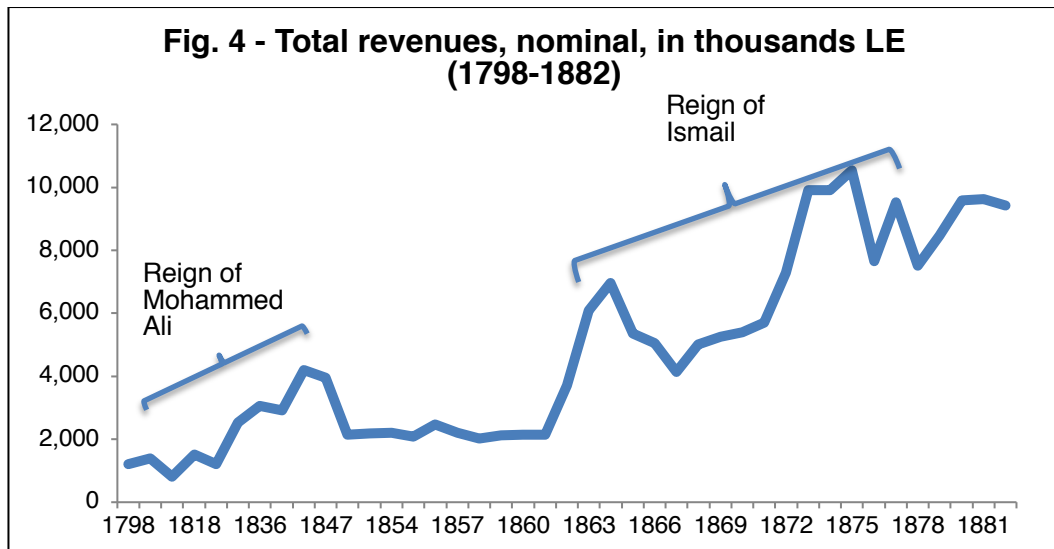
<sup>57</sup> Due to the American Civil War, world cotton prices soared as a result of the near-halt of cotton exports to Europe by the Southern states, together one of the world's largest

land titling under Said mainly benefited the ruling family and the powerful Ottoman-Egyptian landed class (Hunter, 1984). Together with parts of the highest placed Egyptian elites, they amassed greater and greater swathes of land, benefiting from generous tax exemptions, and thereby “shoving aside Egyptian peasants who were also eager to raise cotton” (Cole, 1993, p. 52). Land in arrears or abandoned by peasants was, if not bought or seized by bigger landowners, regularly confiscated by the ruler and the royal family and attached to their domains (and in some cases redistributed to loyalists), although this phenomenon was even more prevalent under Ismail (Beinin, 1981, p. 15; Fahmy, 1998, p. 148; Hunter, 1984, p. 32; Sayyid-Marsot, 1984, p. 116).

Ismail, who was Mohammed Ali’s grandson, also oversaw a massive increase in taxes, which grew worse as the country’s fiscal stability came more and more under threat. Under his rule, expenditures ballooned, with funds flowing mainly into transport and irrigation projects, the military, but also extravagant urbanistic projects designed to turn cities like Cairo and Alexandria into European-style metropolises. John Chalcraft explains that “by 1872, the overall tax burden in Egypt was nearly twice what it had been in 1852” (Chalcraft, 2004, p. 41). With every new debt renegotiation and new loan, a new tax was introduced in order to try to repay the interest on the colossal debt Egypt had accumulated. In the end, pretty much every good and every transaction was taxed, from “cereals-measuring” to “food-weighing”, from the “verification of seals on guarantees” to the “special tax on humus” (Chalcraft, 2004, p. 42).

---

producers. Egypt’s cotton sector benefited from the shortfall in US production and gained market shares.



Source: Budget statistics in (Crouchley, 1938)

Yet, in quantitative terms and from a purely fiscal perspective, both Mohammed Ali's and Ibrahim's tax policies yielded quite impressive results as receipts clearly soared (see Fig. 1 above). The figures in Fig. 1 are nominal and therefore part of the picture could be a consequence of inflation, but the budgetary data trends still seem to be very much consistent with the historical accounts of rising tax intakes under their rule.

#### *Tax administration*

Such a "success" was only possible because of a continuous expansion of administrative collection capacity throughout the 19<sup>th</sup> century. For most of its "pre-modern" history, taxes in Egypt were collected mainly through tax farming. Tax farmers agreed to pay the treasury a fixed sum and were then free to collect more than this from their taxpayers. On the one hand this led to a more efficient collection process for the still under-developed state apparatuses of the time, but on the other hand it meant that the incentives for over-exploiting taxpayers were strong and that the leakage of funds was high.

After seizing power, Mohammed Ali progressively replaced this system with a wage-based and centrally-administered tax system. He created a civil administration and a department of finance, and ordered an "extremely

detailed and thorough” cadastral survey of agricultural land, which “began in the spring of 1813 in Middle and Upper Egypt and [was] completed in May 1814 in Lower Egypt” (Fahmy, 1998, p. 149). For the collection of urban income taxes on professionals and artisans the ruler still relied on the heads of the guilds, though now it was the government’s tax administrators who appointed them – not the *‘ulama’* (Chalcraft, 2004, p. 32).

Schematically, under Mohammed Ali the tax collection apparatus was therefore centralised and entrusted to a nascent civil administration, while under the rule of his grandson Ismail it would then be expanded and professionalised. Indeed, in the 1860s and 1870s the tax administration increased its physical presence throughout the territory, with tax bureaus being set up in various parts of the country (Chalcraft, 2004, pp. 40–41). The expanding staff was categorised into ranks, remunerated according to pay scales and could retire with a pension (Hunter, 1984, p. 41).

But despite this increasing professionalisation modelled on the developed European countries of the time, the administration had by the late 19<sup>th</sup> century still not developed into a modern, rational-legal bureaucracy in Weberian terms (Hunter, 1984, 2000). As Robert Hunter explains, it actually still very much resembled the ideal-type of the patrimonial bureaucracy, with little to no distinction between state and ruler, public and private realms, and with an appointment of loyalist elites or family members to all key positions (Hunter, 1984, p. 10). Ismail further used the bureaucracy as a tool of political control (Hunter, 2000). To ensure it remained a docile and loyal institution and did not pose a political threat, he manoeuvred and intervened even at the lowest levels of the hierarchy, often disregarding the laws that he himself had created and that were, at least officially, regulating tax collection, the tax administration, the treatment of its personnel, etc. (Hunter, 2000, p. 154). Another problem was that the department of finance was not as powerful and well-controlled as modern ministries of finance, which hold the power of the purse over other ministries. At the time, various departmental and provincial treasuries and accounts ensured that both horizontally and vertically revenue mobilisation and expenditure was still fragmented, something that changed only progressively (Hunter, 1984, 2000).



The building of the Egyptian public administration during the 19<sup>th</sup> century must also be seen in its demographic and political context. Educational facilities were strongly expanded, though not with a purpose of achieving universal education, but with almost the sole purpose of providing the army and the public administration with the needed human resources (Fahmy, 1997, pp. 282–283).<sup>58</sup> Under Ismail’s reign, the state-operated civil schools graduated “only” 10,000 students (Cole, 1993, p. 77). Over the course of the century, this also meant that the sons of native or Egyptianised elites started to penetrate a state apparatus dominated by the Ottomans.

For a number of reasons government employment was by far the most coveted form of employment. The weak and underdeveloped non-agricultural private sector was largely in the hands of foreigners and minorities who liked to recruit among themselves (Beinin, 1981, p. 16). The strong population growth in the later decades of the century resulted in combination with Islamic inheritance law to an increasing parcellation of landholdings, which required subsequent generations of the upper class to find new ways to maintain their lifestyle (Cole, 1993, pp. 78–80). The public sector on therefore offered a ladder for upwards social mobility or a means of insuring social stability, via the power, influence, and job security civil service jobs provided. However, many ended up in the military or other fairly low-paid jobs (Cole, 1993, p. 79). Nonetheless, according to figures presented by Cole, around 28% of civil school graduates found employment with the state, an equal share did not, and the rest transferred to other schools, with some of them perhaps securing a public sector job in the end (Cole, 1993, p. 79). And as we shall see in subsequent sections, the share of graduates entering civil service would only increase further in the rest of the 19<sup>th</sup> and 20<sup>th</sup> centuries.

Thus we can here perhaps see the earliest and deepest roots of a very close connection between educational achievement and employment in public service. As we shall see in section 2., despite initial attempts by Egyptian politicians to discharge themselves of what came gradually perceived as a

---

<sup>58</sup> This was a conscious choice by the Pasha. Fahmy explains how Mohammed Ali’s son Ibrahim had suggested expanding education and admitting more Egyptians, but the ruler simply told him to “look at what happened to European monarchs when they attempted to educate their poor” (Fahmy, 1997, p. 282).

government obligation, colonial policies actually further strengthened and institutionalised a “moral economy of public employment”, as would later again happen under Gamal Abdel Nasser, leading in turn to adverse effects on the functioning of the tax administration in present-day Egypt.

### *Tax relations*

Despite an impressive expansion of taxation in pre-colonial Egypt, these state-building pushes largely spelled misery for the vast majority of the population (Chalcraft, 2004; Fahmy, 1997, 1998; Mitchell, 1988). The population came to deeply distrust a state which became increasingly intrusive, and whose agents were above all known for their arbitrariness, corruptibility and rapaciousness.

Tax collection methods were largely based on coercion and violence. Mohammed Ali's chain of command was disciplined by a brutal system of corporal punishment through which even village headmen or governors were whipped if they failed in their task (Mitchell, 1991, p. 41). This obviously created strong incentives to relay the pressure downwards and extract taxes by any means necessary. The use of the whip on ordinary peasants was thus even more common than on higher-ups.

Because other state extraction such as military conscription or *corvée* labour were equally disruptive and resented as tax collection, peasant flight from their lands and villages were very common (Fahmy, 1997, p. 106; Mitchell, 1988, p. 43; Toledano, 1998, p. 262). Occasionally, even rebellions broke out (Cole, 1993, p. 91; Fahmy, 1997, p. 95). The state virtually always reacted with more violence, crushing rebellions, squeezing taxes from the remaining population in the village, and conscripting even those who had mutilated themselves in an attempt to escape the military service (Fahmy, 1997).

Why were such brutal methods required and why did Egyptians not acquiesce more easily to be taxed? The structure and level of development of the economy, as well as the sophistication, expertise and resources of the tax administration played a role, as fewer lucrative and non-intrusive tax handles were available (Hinrichs, 1966). But I would also argue that Egypt was at an

ideological disadvantage, because of the “unavailability” of nationalism. The literature suggests that in order for trust to emerge, people have amongst other things to repeatedly make positive experiences of fair treatment in particular with interface-level state agents – which as I showed above was clearly not the case – or to share a common group bond such as nationality, etc. (Reeskens and Wright, 2013; Rothstein, 2000; Rothstein and Stolle, 2008).

But whereas European states could throughout the long 19<sup>th</sup> century convey existential threats to nations, like Daunton, for instance, shows in the case of Britain during the Napoleonic Wars, Mohammed Ali never consciously engaged in nation-building alongside state-building (Daunton, 2007). Originally from Albania, he did not know Arabic but could, like the rest of the ruling elite, speak the administrative language of the Empire, Ottoman Turkish. His goal was simply to establish dynastic rule for his own family and to make territorial gains within the Empire; it was never driven by nationalist motives.<sup>59</sup>

It was therefore hard to convey a sense of existential threat to the wider society when the military adversaries the ruler pursued in the Levant, the Arab peninsula or Africa neither threatened nor concerned the population. By contrast, the European continent was the stage for repeated and increasingly brutal wars and invasions that credibly threatened entire countries and their peoples in terms of their autonomy or even existence. Daunton explains how the Napoleonic wars provided a real sense of urgency and purpose that allowed very high levels of taxation to be collected, with some difficulties but on the whole relatively smoothly (Daunton, 2007).<sup>60</sup> Herbst made a similar argument with respect to states in Sub-Saharan Africa, explaining that “the symbiotic relationship that war fostered in Europe between tax collection and nationalism is absent in Africa” (Herbst, 1990, p. 133).

---

<sup>59</sup> He was even actively trying to prevent too large of an influence of native Egyptians within the state. When he realised that his schools designed to train his officers and administrators were mostly attended by Arabic-speaking Egyptians, he wrote to his son leading a military campaign in Anatolia to attract Turks to come to study in Egyptian schools (Fahmy, 1997, p. 283).

<sup>60</sup> Scheve and Stasavage also show that it is only in times of mass mobilisation for war that taxes tend to be distributed more fairly across society, although their research is based on the 20<sup>th</sup> and not the 19<sup>th</sup> century (Scheve and Stasavage, 2010).

Under Mohammed Ali's grandson Ismail, the coercive and conflict-laden nature of tax only worsened. Tax administration became more professional, but everyday collection practices were still marked by extortionary tax assessments, bribery and coercion (Chalcraft, 2004, p. 43). According to Cole, guild members "felt that in former times, by custom and by law, the tax rate had borne a relationship to profits, but that Viceroy Ismail's regime was disregarding that ratio in favor of ever higher, arbitrary levies", in other words "the moral economy of taxation was [...] becoming corrupt" (Cole, 1993, p. 91). Even wealthier sectors of society were alienated by Ismail's ruthless over-taxation. Cole explains that "the floggings, beatings, and jailings of merchants unable to remit their taxes injured the pride of the traditional bourgeoisie" and thereby "stripped away the few privileges these wealthy commoners enjoyed" (Cole, 1993, p. 92). At the same time, claims against Europeans, who dared to question the legality of taxes, knowing that they were backed up by their consulates, were given up by the tax administration (El Rifai, 1929, p. 28).

In short, the expanding pre-colonial state of Mohammed Ali and his early successors did not really have much to offer that would have made a positive difference to the lives of ordinary Egyptians. Certainly, improvements in infrastructure benefited agriculture, but the benefits were unevenly distributed, accruing largely to the latifundary elites or the viceroy himself. The coercive and often violent tax collection achieved impressive results but at the cost of a deep resentment and distrust of the state and its agents that as we shall see in subsequent sections characterised state-society relations for decades to come.

## **2. Taxation under foreign influence**

In 1879, the Egyptian debt crisis escalated to the point where the governments of the United Kingdom and France, representing powerful bond holder interests, established dual control over the affairs of the Egyptian government. Three years later, Egypt's first modern national popular revolt, led by Colonel Ahmed 'Urabi, triggered a British intervention and the

beginning of de facto colonisation.<sup>61</sup> In fiscal terms colonisation lasted roughly 60 years and ended only with the abolition of the Capitulations in 1937.<sup>62</sup> The period was marked by both ruptures and continuities in the realms of taxation, state-society relations and state-building.

The administrative apparatus was professionalised, and during this period we witness the development of a close normative-ideational between educational achievement and employment in the civil service – the earliest roots of what one could call a “moral economy of public employment”. Furthermore, taxpayers benefited from lighter taxation in line with Britain’s *laissez faire* economic policies and its political goal of stability (Owen, 1981, p. 224). The changing economic structure of the country and elite self-interest, but also greater regime insecurity and to a lesser extent sympathy with the socio-economic situation of ordinary Egyptians encouraged a progressive shift away from the agricultural land tax and more lenient collection practices. However, despite this relative “*détente*” – if only in comparison with Ismail’s extreme and exploitative over-taxation – collection practices under colonialism remained strict, and unfair advantages bestowed on the European population hampered the legitimation of the developing Egyptian tax state – as did foreign rule more generally.

### *Tax structure*

In 1878, already one year before Ismail was forced to abdicate by the European powers, a “superior enquiry commission” was set up at the request of European creditors and tasked with studying the state of the Egyptian tax system and administration and suggesting paths for reform (El Rifai, 1929). The commission’s work provided the blueprint for many of the reforms to follow, whose leitmotif was the “modernisation” of the Egyptian tax system (Baring, 1911, p. 43; El Rifai, 1929, p. 27). It was decided to lower the land tax rates which had been increased ten times since 1820, and to abolish

---

<sup>61</sup> It was only in 1914, after the Ottoman Empire sided with the German and Austro-Hungarian empires in World War I, that Egypt would officially become a British protectorate. Prior to that date, Egypt formally remained an autonomous province of the Ottoman Empire.

<sup>62</sup> After formal independence from the United Kingdom in 1922 had already somewhat increased its freedom in that respect.

many smaller taxes which were relatively costly in their administration and negative in their economic and political effects (Tignor, 1966, p. 106). Over time, privileges of the landed classes were also curtailed. Previously privileged '*ushriyya* land<sup>63</sup> was more heavily taxed. Private land owners lost the right to use *corvée* labour, and the government was supposed to make sure that irrigation water would not only reach the powerful landlords (Esmeir, 2012; Reid, 1998).

Relief also came in another form. If one looks at historical receipts of the land tax, the stagnation of revenue from the land tax in nominal terms (i.e. decline in real terms) over a period of at least 70 years, roughly between 1880 and 1950, is striking. Since the overall surface of arable land was virtually stable the most likely explanation is that the original tax base, i.e. the registered lands and their rental value, established in the late 19<sup>th</sup> century was never modified or updated and that taxpayers paid roughly the same amount for decades. As one source indicates, a 30-year stay of any re-evaluations was actually legally decreed from the outset in 1899 (Michel, 1923, p. 301).<sup>64</sup>

The progressive abolition of most taxes other than real estate taxes happened for a number of different reasons. Beyond the colonial mindset of the British, i.e. that they were tasked with a "civilisatory" mission and were to bring a more organised and modern tax collection system to Egypt, it was strongly hoped that the rationalisation of the tax system would spur economic growth and thus make the repayment of debt economically and fiscally sustainable, in line with the fiscally conservative doctrine of "colonial self-sufficiency" (Cain, 2006; Chalcraft, 2004; Gardner, 2012, p.3).<sup>65</sup> But Britain's actions were perhaps more than anything politically motivated. The Capitulations forbade the levying of direct taxes on foreigners without the

---

<sup>63</sup> '*Ushr* was originally paid on privately owned land, whereas *kharaj* was imposed on communal lands. In practice they mostly separated privileged lands held by elites from more heavily taxed peasant-owned parcels (Tignor, 1966, pp. 106–107).

<sup>64</sup> However, even under the formally independent Egyptian monarchy, the update, whether administratively carried out or not, seems not to have been applied to calculate the tax liabilities. This likely reflects both the interest of landowning elites and the unwillingness to place further burdens on the Egyptian peasantry due to the political and socio-economic context. I shall return to this further below.

<sup>65</sup> They seem to have won their wager because until the end of the 19<sup>th</sup> century Egypt's rural areas experienced strong real per capita growth (Yousef, 2002, p. 565).

consent of the European powers – which Britain was unlikely to secure – other than on agricultural land and built urban properties.<sup>66</sup> It therefore faced the choice of taxing only Egyptians and not foreigners, or of taxing nobody at all. Since the key objective was to consolidate Britain’s control over Egypt and keep stability, the colonisers were keen on “maintaining the tranquillity of the population” (Chalcraft, 2004; Tignor, 1966, p. 104). Plus, the British were vastly outnumbered and had further already developed new, non-violent techniques of maintain order (Abi-Hamad, 2012; Mitchell, 1988; Tignor, 1966, p. 104).

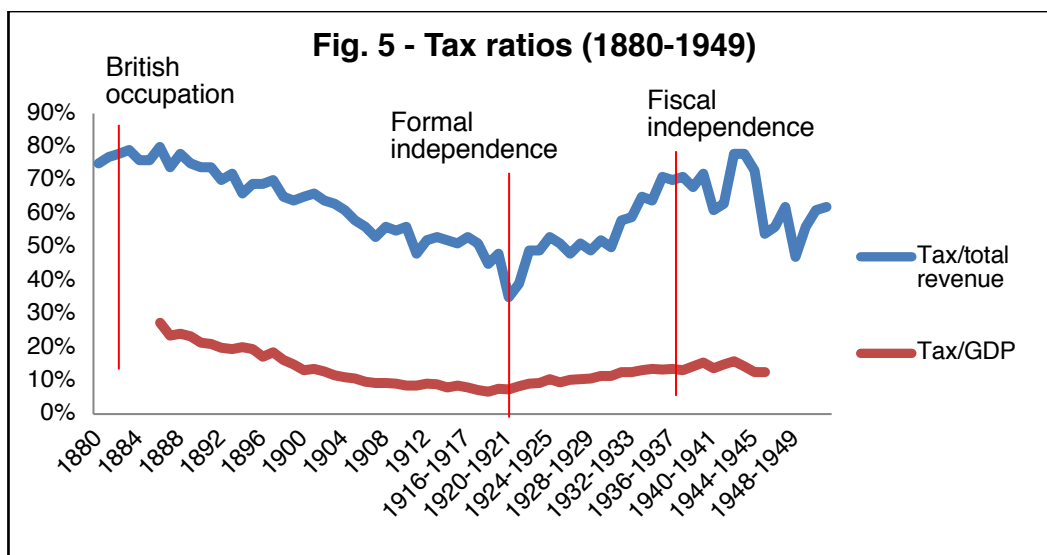
In addition, a quickly developing and increasingly globally-integrated economy also allowed for better tax handles (Hinrichs, 1966). Customs duties and other forms of consumption taxes were a very effective way to generate a dynamic stream of income and more importantly not subject to the restrictions of the Capitulations. Tobacco, sugar and tea alone accounted for the lion share of these, and by the end of WWI indirect taxes and customs duties had overtaken receipts from direct taxes (in the early 1880s the latter were four times higher than the former) (Gab Allah, 1988). The British also increased receipts from the booming railway, which became an important source of non-tax government revenue (Hunter, 1998, p. 185; Owen, 1981, p. 223).

Given these policies, it does not come as a surprise that the share of taxes in total government revenue declined, as did the tax to GDP ratio:<sup>67</sup>

---

<sup>66</sup> The pressure of their expatriated citizens made sure that foreign governments never consented to any new direct taxes. “No valid argument could be adducted in favour of excepting Europeans from the paying of these taxes. The reason why they did not pay them was because they did not like paying them.’ Lord Cromer, t. II, p. 435” (El Rifai, 1929, p. 147)

<sup>67</sup> Taxes include customs.



Source: own calculations based on (Gab Allah, 1988)<sup>68</sup> and (Yousef, 2002)<sup>69</sup>

But what the graph above shows perhaps best, are the extreme levels of extraction that existed in the 1880s (and are likely to have existed before). European nations at the time were levying much less in taxes,<sup>70</sup> a clear sign of how dire the fiscal situation must have been around the time of the debt crisis and how radically the Egyptian government was trying to avoid bankruptcy. It also confirms again how under colonial rule, taxation was much more constrained. As El Rifai put it, referring to the inability of the government to levy new taxes (other than customs): “this restriction [of the Capitulations] has paralysed the fiscal activity of the Egyptian government so to speak” (El Rifai, 1929, p. 174). Nonetheless, since Egypt was not spending more than it earned in revenue it was in fact accumulating budget surpluses (even after paying principal and interest on its debt) for every year until the late 1940s and early 1950s.

<sup>68</sup> Caveat: At a first viewing of the source material (a PhD thesis in the Cairo University library) I forgot to take note of the exact references of the book. I returned to the library during a later stay but was only able to find a reference in the online system, but I am not 100% sure that the reference cited here is indeed where I found my data.

<sup>69</sup> For the GDP estimates, Tarik M. Yousef, a former professor of economics at Georgetown University, used a money-based cointegration approach, a common way of estimating GDP in the absence of more reliable national accounts. It uses monetary variables such as broad money, velocity and inflation indices to estimate the GDP. In this case it also exploits the strong economic links between Egypt and the UK. While certainly not perfect, I believe this to be the best estimate that can be made. Furthermore, his paper builds on a larger literature that previously attempted similar GDP estimates and seems to have improved them in a number of ways.

<sup>70</sup> France was extracting 8% of GDP in taxes in 1880, the United Kingdom 7.5%, Sweden 7% and the United States less than 5%. Source: <https://ourworldindata.org/taxation/> (for France, UK and Sweden) and (Centeno, 1997) (for USA).



## *Tax administration*

Administratively, the colonial era also left its imprint on Egypt. Already years before the military occupation started, the penetration of the administration in control of revenues and expenditures had begun (Hunter, 1998). For example, in 1876 an Englishman was appointed director of customs, and two Englishmen and a Frenchman were in charge of the lucrative railways (Hunter, 1998, p. 196). After Britain began its military occupation, a new Real Estate Tax Authority (RETA, still active today) was created under the auspices of the Ministry of Finance (MoF) and became further professionalised. A new cadastre was set up, one that, thanks to cross-checking with precise geographic locations, was better at uncovering tax evasion (Mitchell, 2002, pp. 87–88). It took fifteen years to complete, from 1892 to 1907 (Tignor, 1966, p. 108). The schedule of payments was rearranged in order to better coincide with harvest periods of various crops, when taxpayers were most able to pay, and taxes were not levied *ex ante* but only *ex post*. Moreover, the use of the whip as a coercive device was prohibited (though instances of its use were still occasionally reported) (Daly, 1998, p. 242).<sup>71</sup>

As I explained in the previous section, since the 19<sup>th</sup> century, for most Egyptians, schooling and secure employment in the civil service already went hand in hand (Farag, 2001). This went so far that in 1893, Prime Minister Riad Pasha even felt compelled to send out the following circular:

“The propagation of instruction being one of the essential conditions for progress and general prosperity of the country, and of the individual well-being of its inhabitants, his highness Mohammed Ali Pasha ordered the creations of makatibs and schools in Egypt. The government having at that time had a need for a large number of people able to fulfil diverse civilian and military functions, was forced to recruit its personnel among the young people who finished their studies in these schools. *Which led the public to believe that the government has the obligation to employ the young people graduating from the schools and to sustain them, whether or not they are qualified to fulfil the functions they have been entrusted with, and whether or not the government needs their services.* But since the schools have been

---

<sup>71</sup> The whip remained in use by domestic rural elites for some time.

founded in the distant past and with the numbers of capable men steadily increasing, the government now feels free to make its choice among them in order to fill vacant positions in the different services of the state. Therefore, general rules have been established for the admission of personnel in the different services of the state and the students of the schools have been informed several times that the government has no obligation whatsoever to employ them beyond its needs. However, *given that this false and mistaken idea that the state has the obligation to employ the students of government schools persists until this day*, we deemed it useful to inform students currently attending the schools and colleges and those who will do so in the future that the government has to place them only in case of need and this according to established rules or rules to be established.” (Farag, 2001, p. 1, emphasis added)<sup>72</sup>

Despite this call, colonial policies later actually reinforced the moral economy of public employment. Indeed, Lord Cromer guaranteed that all primary<sup>73</sup> and secondary school graduates qualified as applicants for government jobs, which in practice amounted to a job guarantee. He did this at the time because of a need to better fill jobs in the lower and middle ranks of the public administration (Berger, 1957). At the time, authors in the reputable social science review “*L’Égypte Contemporaine*” already criticised what they saw as an overstuffed or too costly bureaucracy (Adler, 1942, p. 524; Lévi, 1922, p. 613). Whether these criticisms are factual and if yes whether the real estate and customs administrations were also affected by this phenomenon cannot be established with certainty. But a minimum, however, we can retrace quite clearly the roots of a particularly strong moral-political attachment to massive state employment as a duty of the government, something that would become even clearer and legally enshrined under Nasser.

### *Tax relations*

In comparison to Ismail’s reign, tax relations became less strained as lower taxes and the aforementioned changes in collection procedures took effect. Furthermore, the government repeatedly forgave tax arrears that had accumulated over time (El Rifai, 1929, p. 40). The British also encouraged the building of municipal governance structures. Their financing and that of the

---

<sup>72</sup> Own translation from French.

<sup>73</sup> Primary schools did not at the time constitute the most basic form of schooling; elementary schools did. The two school types were later integrated by Nasser (Waterbury, 1983).

public goods they provided was complicated, as Capitulations restricted the use of direct taxation. As a result, “voluntary taxes” were introduced and administered locally. Surprisingly, the collection seemed to work quite well<sup>74</sup> and in the late 1910s and early 1920s the revenues of the roughly 60 to 89 local administrations taken together were composed of 80% from their own resources and only 20% from government transfers, although it is not clear how much they spent and what kind of public services they were able to provide (Michel, 1923, p. 334). This can be seen as a sign that at a local level people trusted the members of their community and their leaders, and that the administrative capacity to collect these local taxes existed. The same cannot really be said of tax relations between the population and the central government. Tough collection practices remained common even under British supervision, with a part of the colonial state apparatus pushing for a strict implementation of the law.<sup>75</sup>

But both colonisers and domestic elites also came under increasing pressure to shift towards more lenient and fairer tax policies and collection practices. The context of increasing nationalist fervour, burgeoning political competition and popular pressure created incentives for domestic elites to be somewhat more responsive to public opinion, something that would become more visible once formal independence was declared in 1922. The collection of the agricultural land tax, for instance, became more lenient and, in particular in times of crisis, a number of taxes were partially remitted.

In 1933, for example, Egypt was living through the fourth year of recession in the wake of the Great Depression, cotton prices were low, and the situation of the wider Egyptian population was dire. A British consular agent stationed in the Delta city of Damanhour writes in a letter:

“The kiosks on all roads are now all working & the Ghaffirs [village police] whose orders are to stop Fellahin moving grain without a permit

---

<sup>74</sup> A diplomatic note from 4 March 1917 for example confirms that the local population in Fayoum and Matariyya had been paying voluntary taxes for the implementation of a project for filtered water supply. National Archives, Kew, UK, accessed August 2013.

<sup>75</sup> Letter from the Financial Adviser to the Egyptian Government to the Chancery of the British Residency, 13<sup>th</sup> May 1934; Letter from the Director General at the Residency to the Ministry of the Interior – European Department, 6<sup>th</sup> June 1933; Letter from the Director General at the Residency to the Ministry of Interior-European Department, June 28<sup>th</sup> 1933, National Archives, Kew, UK, accessed in August 2013; See also (Innes, 1986, pp. 55–56).

from the Sarraf [tax collector] are being effectual. [...] A curious thing has now happened, that is quite Gilbertian. The Fellaḥ no longer free to bring his corn, the merchant must go & buy it. The Ghaffirs have quite distinct orders, that the Fellaḥ may come so far & no further, but there is no restriction on merchants going within the precincts & bringing grain out or sitting by the road under a shady tree sending a partner into a village to say he is there & starting a daily business. [...] It must be borne in mind that Fellaḥin selling under these conditions are at a disadvantage. An atmosphere of the Pawnbroker is drawn into it and prices that found a level in open market are not paid under these insecure conditions. Of course the Government are greatly hampered in all this, very few Omdahs<sup>76</sup> are not wholly in sympathy with their people. I quite see the necessity of hard measures and the Fellaḥ is literally living on a bare subsistence at present. I am only fearful for the eventual effect it may produce. [...].”

Letter of consular agent in Damanhour (Mr. Butler) from 16<sup>th</sup> June 1933<sup>77</sup>

This extract gives a hint of the rifts between people in various positions of responsibility (colonial officers, native elites, local administrators, etc.) and their varying commitment to a strict enforcement of laws. Coercive measures like the ones mentioned in the letter were a reality, and were on the whole agreed by the most senior levels of the central government in Cairo. But, be it out of solidarity with the people, the fear of revolt, or the desire to win elections, some Egyptian government officials, politicians in Cairo, *mudirs*,<sup>78</sup> and *omdahs*, also favoured a certain degree of leniency in tax collection as the letter above shows. This happened through both legal measures (the government, for instance, decided that the state should pay for a small amount of the 1933-1934 land tax liability of peasants owning five *feddans* or less, and to provide some export guarantees for rice) and their own decisions not to enforce the law to the letter.

The landed elites of course also had much to gain themselves in the sense that the stagnation of the tax base of the agricultural tax benefited everyone (and disproportionately themselves). While enforcement was

---

<sup>76</sup> *Omdahs*, which can perhaps be translated as village headmen, were the representative of the government in a given village or town. They often hailed from the most influential local family.

<sup>77</sup> National Archives, Kew, UK, accessed in August 2013.

<sup>78</sup> The *mudiriyyah* or “directorate” was the predecessor of what is today the “governorate” (*muhafazah*), the highest geographical-administrative sub-division in Egypt. The *mudir* was thus the local governor.

adjustable with the poor, it seems to have been consistently weak with the rich, or at least some of them. The social, economic and political power that landed elites wielded, both through their social status and through their public offices (members of parliament, of provincial councils, heads of villages, etc.), meant that if they evaded taxes, the government still often did not dare confronting them.<sup>79</sup>

Despite having less recourse to physical coercion and violence, tax collection seems to still have suffered from significant arbitrariness and unfair treatment of taxpayers. The economist and tax expert Isaac Lévi, for instance, wrote an article in 1935 about the abuses of the administration charged with collecting taxes from built urban properties (Lévi, 1935). He explains that tax collectors collecting real estate taxes from industries were disrespecting the law either due to the fact that they were overly zealous or to trigger illicit payments (Lévi, 1935, pp. 271–272). Evaluation committees that were tasked with assessing the value of built properties were to consist of three members of the government and three members randomly drawn from a pool of twelve elected property owners, although at least one had to be a foreigner. Officially, the valuation decisions would be valid only if four out of the six members agreed. However, according to Lévi this almost never happened, and if it ever did, it did so only in the early days of the system (Lévi, 1935, p. 272). It appears that the administration was unable or unwilling to go through such lengths to ensure a fair process, preferring to instead completely control the process, but which often resulted in abuse and the overcharging of taxpayers, again either out of zeal or out of corrupt motives (Lévi, 1935).

The colonial era therefore had different effects in different realms of Egyptian taxation. The days of the most extreme over-taxation were gone, but the system on the whole was still very regressive and unfair if one considers the weight of the tax burden of peasants and consumers versus that of landed elites and emerging capitalists. The administration of taxes was certainly improved, but in their everyday interactions with the taxpaying population

---

<sup>79</sup> Letter from the Financial Adviser to the Egyptian Government to the Chancery of the British Residency, 13<sup>th</sup> May 1934, National Archives, Kew, UK, accessed August 2013.

collectors were still said to largely employ coercive and abusive methods. As Mayfield aptly put it:

“While constitutional government was bringing the people into slightly closer contact with the urban political world, it was hardly educating them to appreciate the value of such government. The authorities were as arbitrary as they had been in the past. Irrigation officials from the government arbitrarily cut off water from village lands, tax collectors threatened fellahin with the loss of their harvest, while at the same time other officials forced the villagers to realize the extent of their dependence on the government.” (Mayfield, 1971, pp. 50–51)

### **3. Egypt under fiscal independence**

In 1937, the Capitulations were abolished and the Egyptian government was free to levy taxes as it saw fit. Although the taxation of land and buildings was more or less up and running (with its aforementioned flaws), customs collection functioning quite well,<sup>80</sup> and the overall budget yielding surpluses every year, the Egyptian government still decided to immediately introduce income taxation. But in this foundational moment when income taxation was created, the newly formed institutions – both the law and the administration – reinforced and institutionalised the pre-existing environment of distrust. At the same time, because it was effectively overwhelmed, the income tax authority inspired little fear among those who decided to evade. As we shall see, the distribution of the tax burden progressively shifted away from the peasantry, due to a combination of increased alternative sources of income, the increased political weight of the peasantry, increased mobilisation and pressure from nationalists on a government that was still under British influence, and a partial alignment of interests between peasants and large landowners.

#### *Tax structure*

Despite a lack of immediate fiscal urgency, the Egyptian government felt the need to “catch up” with developed countries and design modern tax

---

<sup>80</sup> Diplomatic cable from French chargé d'affaires Charles Lucet at the French Embassy in Cairo, 3 October 1950, Archives Diplomatiques, La Courneuve, France, accessed July 2016.

policies. The government's hopes were high, as other countries typically earned on average 6 to 15 times more from taxes on movable assets than from taxes on immovable ones (Ricci, 1938). Egypt opted for the adoption of a schedular system inspired by Belgian, French and Italian laws of the time, because it better allowed the government to differentiate between different types of income (e.g. income from agriculture, dividends, rented property, etc.), which were taxed at different rates.<sup>81</sup> The system also allocated greater power and responsibility to the tax administration, as opposed to the more British-inspired systems relying mostly on self-assessment. The rates were initially quite low and the thresholds were high enough so as to free the vast majority of the population from the obligation to pay taxes. However, in particular larger businesses and wealthy individuals were despite widespread evasion now contributing to the state's coffers, as can be seen in Fig. 3 below. Later, in 1949, after the military fiasco of 1948 and the political decision to vastly increase public spending, the government introduced a progressive, general income tax that was applied on the net income after all schedular taxes were paid.<sup>82</sup>

The introduction of new income taxes was accompanied by the continued relative decline of agricultural taxation, which had terrorised Egypt's countryside for decades if not centuries. The main reasons for this are perhaps best summarised by the French ambassador who wrote, just months before the 1952, coup that there were "two contradictory aspects of the domestic policy of the Wafd government: on the one hand to demonstrate its attention to social preoccupations, and on the other hand to accommodate the interests of the large landowners to which the main party leaders belong".<sup>83</sup> But with the onset of industrialisation in the 1930s, it was seen as politically unfair and probably unwise to continue laying the heaviest burden on the shoulders of the peasantry while factory owners paid nothing (Owen, 1981, pp. 223–224). In addition, the changes in the economic structure and availability of tax handles discussed in the previous section started to turn the

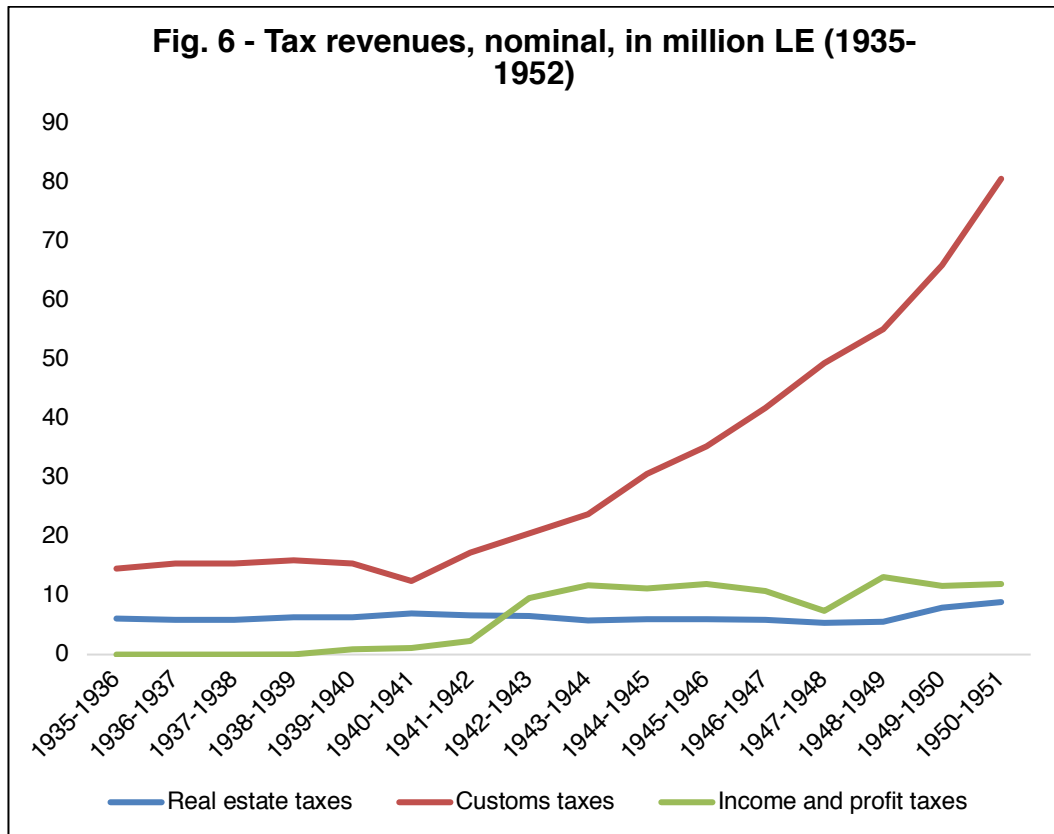
---

<sup>81</sup> IMF Fiscal Affairs Department report, "Egypt: Taxes on Income and Profits and their Reform" by A.M. Abdel-Rahman, J. Stotsky and E. Sidgwick, September 1993 (p. 10), IMF Archives, accessed August 2017

<sup>82</sup> Law 99/1949.

<sup>83</sup> Diplomatic cable from French ambassador in Cairo, 27 March 1952, Archives Diplomatiques, La Courneuve, France, accessed July 2016.

land tax into a marginal one, so that pursuing its improvement and expansion was not a high priority.



Source: own calculations based on (Gab Allah, 1988)

Land tax rates were thus further lowered and small tax reductions for peasants continued to be granted from time to time (Yallouz, 1942). But perhaps the most important way in which the burden on the agricultural sector was alleviated was the non-updating of the rental value of agricultural land. It was only in 1949 that a re-assessment was fully carried out and implemented about two years later, but resulted only in a minor increase in revenue (see Fig. 3 above).

In addition to the introduction of income and profit taxes, this managed decay of the land tax was made possible by the continuing development of Egypt's economy. During World War II, the expansion of the British presence in Egypt and the dislocations of the world economy of the time triggered an



economic boom in the country (Beinin, 1998, p. 328). Furthermore, the expanding industrialisation also encouraged the setting up of customs tariffs for protectionist purposes. As Figure 3 shows very clearly, customs tax receipts soared around that period. Overall, the shifting distribution of the tax burden towards consumers and now businesses and away from the peasantry can therefore be seen as a consequence of both political and economic shifts of the time.

### *Tax administration*

To administer the new income taxes, a new administration was created in 1939, the General Tax Authority. However, according to a German PhD dissertation written by an Egyptian tax official in 1961, which constitutes a novel secondary source and on which I shall draw extensively in this section, from the start the authority struggled to make the new system work and establish a solid taxpayer base (El Sahrawi, 1961). Initially, real estate owners were supposed to report economic activity by either natural or legal persons that occurred in their property, but compliance was low (El Sahrawi, 1961, pp. 27–28). One can only speculate why this was the case. Landlords probably distrusted the tax administration and did not themselves want to interact with it for fear that they could end up being taxed, or taxed more, for example via property taxes. The requirements could have been poorly publicised and advertised. Perhaps social ties also prevented them from “reporting” their tenants to the fiscal authorities. More importantly, penalties for non-compliance were not enforced. This was largely due to the fact that the tax authority had only 97 employees at its creation, and an anti-evasion department was only opened in 1948.<sup>84</sup> Even then, it became “an organ for terrorising and persecuting tax officials themselves [due to suspicions of corruption]”, revealing that distrust ran deep even within the state, a point to which I shall return in greater detail in Chapters 4 and 5 (El Sahrawi, 1961, p. 28).

---

<sup>84</sup> El Sahrawi admits that already at the time (in the 1940s and early 1950s), the rest of the public administration was, by contrast, and from his own perspective, already overstuffed (El Sahrawi, 1961, p. 21).

In any case, with extremely low voluntary taxpayer compliance, the tax authority had to send tax officers into the field to physically register people and businesses (El Sahrawi, 1961, pp. 27–28). But this was only done in 1941, several years after the new law, and again in 1945 and 1952, which was not often and not systematic enough because people's and businesses' circumstances had changed (El Sahrawi, 1961, pp. 27–28). Throughout the 1940s the income tax authority was overwhelmed. In January 1949, the French ambassador wrote that many people escaped taxation, that the tax authority was six years behind schedule, and that almost 2.5m cases were in arrears with only about 478,000 having been fully cleared.<sup>85</sup>

Staff size increased over time but why staffing problems were not addressed earlier on and more vigorously is unclear. It could be that bureaucratic expansion was viewed sceptically both because civil servants were already considered too numerous and privileged, and/or because the political elite did not view greater effective tax collection as desirable. As I explained above, there was also very little fiscal urgency to address these problems and not even a real plan of what to do with the additional funds, according to French diplomatic cables.<sup>86</sup> Unlike the chronic fiscal crisis that Egypt would once again experience during much of the republican era, the 1940s were despite rising expenditures still times of budgetary surplus.<sup>87</sup>

In addition, due to the high demand for tax collectors and the distribution of jobs according to political criteria, recruitment rules seem to often have been circumvented, leading to poorly skilled employees entering the administration (El Sahrawi, 1961, p. 23; Sayyid-Marsot, 1977, p. 76).<sup>88</sup>

---

<sup>85</sup> Diplomatic cable from French ambassador in Cairo, January 1949, Archives Diplomatiques, La Courneuve, France, accessed July 2016.

<sup>86</sup> *Ibid.*

<sup>87</sup> According to the French ambassador, in 1949 the general reserve (accumulated budget surpluses) stood at LE80m, equivalent to an entire year of spending. This is also due to very conservative budget calculation which consistently underestimated revenues, no doubt a legacy of British influence. The reserves started to fall during, and in the aftermath of, the 1948 war with Israel. Societal pressures also intensified in the last years before the 1952 coup and the government decided to strongly increase public spending. Diplomatic cable from French ambassador in Cairo, 17 May 1949, Archives Diplomatiques, La Courneuve, France, accessed July 2016; Diplomatic cable from French chargé d'affaires Charles Lucet at the French Embassy in Cairo, 3 October 1950, Archives Diplomatiques, La Courneuve, France, accessed July 2016.

<sup>88</sup> Under colonial rule, the Egyptian bureaucracy in general also struggled with the often limited qualifications of its employees, especially at lower levels of the hierarchy (Tignor, 1966).

They received little or no training or guidance from more senior officials: they were simply thrown in at the deep end and had to deal with a public among which “there are many illiterates, ignoring the laws and limits of the powers of the civil servants” and with “a mentality and a morality which are not made for facilitating the task of the civil servants”, thereby generating “a number of costly additional controls of which one could get rid of if the public itself understood the consequences of its attitude” (Adler, 1942, pp. 524–525). While lack of education and awareness in the population certainly contributed to the difficulties in tax relations, such elitist contemporary opinions ignore the more political dynamics of the lack of co-operation of the wider population. Indeed, the latter can also be viewed as acts of defiance and resistance against a state that is distrusted, resented, and that lacks legitimacy (Migdal, 1988; Scott, 1985).

The working environment for the employees seems to have been quite unpleasant. Incentives encouraging initiative and hard work were virtually non-existent, whereas mistakes were usually punished (El Sahrawi, 1961, p. 23). In addition to this and the suspicions of corruption, tax officials were not given the appropriate material means to succeed, affecting the staff’s “performance and work ethic” (El Sahrawi, 1961, p. 25). And, typical also of the later years of the Egyptian bureaucracy, and revealing of the prevailing low trust environment, bureaucrats actively sought to hide their actual performance. El Sahrawi recounts how the statistical department of the tax authority did not manage to get data on the tax arrears which had passed the statute of limitations for collection from the authority’s own local tax offices (El Sahrawi, 1961, p. 27). The latter would not communicate this information, fearing it would reveal their failure to collect taxes effectively.

In this context, the best employees often left the administration after a few years to work in the private sector, as salaries of civil servants often did not keep pace with inflation and funding for promotions was limited. In the end, this meant that those who were left behind were usually less qualified and productive, continuously weakening the human resources of the tax administration, a process that continues to the present day.<sup>89</sup>

---

<sup>89</sup> Interview with tax collector 5, 8 July 2014.

This state of affairs however did little to alter the serious expectation of educated Egyptians to receive employment in the public sector, an expectation supported by the realities at the time. According to Morroe Berger, in 1948-49 85% of university graduates went into civil service, whereas 2-4% went into federal civil service in the USA (Berger, 1957). The state further employed about half of all secondary graduates and a third of primary school graduates (Berger, 1957).

### *Tax relations*

According to the French ambassador in post in Cairo in 1949, the tax administration remained at the same time weak and arbitrary.<sup>90</sup> Based on the information from El Sahrawi's dissertation and archival material, it becomes even clear that the new income tax system in fact institutionalised and reinforced feelings of mutual distrust between administration and society.

First, the government has until the 2005 tax reform practiced – or professed to practice a policy of auditing 100% of all returns each year, probably as a result of its limited faith in the tendency of Egyptians to voluntarily and honestly comply with tax laws.<sup>91</sup> Clearly, this goal was unrealistic and never achieved in a year, but the state distrusted the taxpayers, and probably rightly so as most contemporary sources said that they would not provide truthful information to the tax administration (I return to this below). Thus, the tax administration deemed it necessary to audit and administratively assess the tax liability of every registered taxpayer. The problem was that this overburdened the tax administration. Collectors had only little time to spare for each audit and were still behind between 3 and 5 years on average. Worse, because of its backlog, the tax administration would often audit all returns of the past 3-5 years of a taxpayer at once, resulting for the latter in considerable insecurity regarding the final tax liability years after the fact. This encouraged arbitrary assessments, appeals and litigation, further poisoning tax relations.

---

<sup>90</sup> Diplomatic cable from French ambassador in Cairo, 17 May 1949, Archives Diplomatiques, La Courneuve, France, accessed July 2016.

<sup>91</sup> USAID project paper "Tax administration – Egypt; 263-0115", 1983 (p. 15); Interview with consultant 1, May 2010.

Then, El Sahrawi estimates that about 95% of tax returns were rejected by tax officials and triggered time-, trust- and money-consuming processes of negotiation, mediation and litigation (El Sahrawi, 1961, p. 31). What caused or encouraged this? First, he explains that the officials feared being suspected of corruption if they immediately accepted the return (El Sahrawi, 1961, p. 31). Given that corruption seems historically to have been endemic in the Egyptian bureaucracy, and that the people in charge must have known of problems, it is not surprising that these suspicions were actually quite common. However, in this case, they were quite clearly counterproductive. Second, tax collectors viewed taxpayers as notorious tax evaders (El Sahrawi, 1961, p. 31). Given that in the early years of the new income tax administration the authority was struggling to create significant compliance, employees must have been well aware that there were many, many Egyptians out there earning income without declaring and paying the taxes due on it. The other, more important, factor was that employees of the General Tax Authority had a personal interest in writing as many “activity reports” as possible:

“The activity reports were actually designed to quantitatively measure the work completed by tax auditors. In order to prove his industriousness, every tax auditor tries to somehow inflate the volume of the work he performed. To this end he uses the following categorisation of the business tax that inevitably tempts him into falsifying the audit results: For each completed case of category A, the tax auditor gets 12 points, for each completed case of category B 5 points and for a C-case only one point. In order to increase his number of points, the tax auditor tries to classify the declared profits into the next higher category, so that he can put himself in the position of filing a praiseworthy activity report” (El Sahrawi, 1961, p. 31)

In the end, taxpayers expected their return, books and receipts (if there were any) to be challenged and thus the vast majority did not usually provide correct information.

Low trust and uncooperative equilibria were thus institutionalised in the system and worsened by these new structural and institutional incentives. The next logical step was that 95% of taxpayers filed an appeal against the assessment of the tax administration (El Sahrawi, 1961, p. 31). These dynamics, at play in the 1940s and 1950s, still to a large extent characterise

tax relations in 21<sup>st</sup> century Egypt.

Ironically, despite the low trust and the resulting strict supervision of registered taxpayers – or perhaps because of it, as much of the administration’s resources were spent on it – tax evasion was still very widespread, at least according to diplomats stationed in Egypt at the time.<sup>92</sup>

In sum, Egypt’s fiscal independence got off to a shaky start. Pressed to catch up with “civilised nations”, and reflecting the increasing role Egyptians wanted the state to play in providing public goods, economic development, regulation, etc., the Egyptian government of the late 1930s implemented the biggest tax reform since colonisation. However, the state and the country were wholly unprepared for it, and the distrustful population was not willing to comply voluntarily. The administrative and coercive apparatus was initially very weak and unable to cope with the scale of non-compliance. In a context in which only a few people were caught, it was also difficult to apply sanctions for offenses that a huge number of people were committing. Furthermore, the new system and administration institutionalised incentives that only worsened the cycle of distrust and uncooperative behaviour and helped engrain early on the realisation that income taxation evasion was a very low risk activity.

#### **4. Taxation under Nasser**

The Free Officers’ seizure of power on 23 July 1952, which eventually led to the establishment of a republic in 1953 and the presidency of Gamal Abdel Nasser in 1954, marked a fundamental turning point in Egypt’s history. For the first time since the defeat of Nectanebo II (the last native Egyptian Pharaoh) in 342 BC, an ethnic Egyptian, and not a Persian, Greek, Roman, Arab, Turk, French or Englishman, was controlling the destiny of the country. There is no doubt that despite resistance against the repressive authoritarian

---

<sup>92</sup> Diplomatic cable from French ambassador in Cairo, 14 December 1948, Archives Diplomatiques, La Courneuve, France, accessed July 2016.

system which he quickly began building after seizing power,<sup>93</sup> his rule benefited from significant popular legitimacy due to his involvement in the 1952 revolution, his charisma, as well as his nationalist, pan-Arabist, and populist policies (Amin, 2011; Cook, 2011; Johnson, 1972; Springborg, 1979).

In principle, some factors under Nasser would appear to be propitious for the building of an effective tax state. From the defeat against Israel in 1948 until the peace treaty more than 30 years later, Egypt was in a nearly perpetual state of military mobilisation due to further conflicts with Israel and an intervention in Yemen. The country also needed revenue for its ambitious development goals. Despite these theoretically favourable conditions for a significant expansion of tax capacity and progressive taxation, higher direct taxation of individuals and SMEs did not materialise and evasion remained common. Why was this the case? Michael Barnett writes that Nasser and Sadat were unwilling to lay financial burdens on Egyptian society for fear of triggering the downfall of the regime (Barnett, 1992). I largely subscribe to his analysis. However, he also argues that, in addition to the structural weakness of the tax base, limited state capacity to collect direct taxes was the other key factor, without providing greater detail on why the latter is the case (Barnett, 1992).<sup>94</sup> I show that certain institutional developments continued to reinforce the equilibrium of conflict-laden tax relations. The democratisation of access to the courts, also following Nasser's ideological and strategic orientation, for example clogged up the courts, frustrating both the tax administration and the taxpayers, and giving the latter incentives to obstruct the collection process. In addition I show how the further entrenchment under Nasser of a "moral economy of public employment" nurtured certain expectations all the while building an increasingly overstuffed bureaucracy. Over time, it contributed to

---

<sup>93</sup> John Waterbury writes that both Nasser and Sadat's "popular mandates to rule were always of dubious validity" (Waterbury, 1983, p. 349). I would argue that this applies much more to Sadat than to Nasser, whose regime benefited from considerable popular support, if not immediately at the beginning of his rule, then at least later in the second half of the 1950s and the 1960s (in particular after the nationalisation of the Suez Canal). The massive demonstrations in favour of his return after his short-lived resignation in 1967, despite the national trauma the military defeat constituted, and the massive attendance at his funeral in 1970 can both be viewed as examples of this support.

<sup>94</sup> To be fair, his book is not specifically about taxation. Barnett also argues that colonialism is, to a large extent, responsible for the lack of industrialisation that could have broadened the tax base, and for state weakness, without, however, going into much detail with respect to the latter (Barnett, 1992, p. 145).

the creation of a bloated tax administration with poor human resource allocation and strengthened the ability of civil servants to prevent and undermine policy implementation.

### *Tax structure*

Much like under Mohammed Ali or Ismail, the ambitious objectives of Nasser's rule were threefold: the consolidation of his regime, the implementation of an ambitious developmental project, and the facing of military threats and rivalry, all of which needed considerable resources. However, unlike in the 19<sup>th</sup> century, in the plans to mobilise these resources the strengthening of tax collection did this time not play a central role. To be sure, taxes were still the main source of state revenues. But Nasser prioritised other, less visible, forms of revenue mobilisation instead of broadening the tax base to include more SMEs and individuals, or fighting tax evasion among wealthy elites more consistently.

International aid was an important part of this strategy. The context of the Cold War allowed the Egyptian government to harness its considerable geostrategic importance and earn sizeable amounts of food, development and military aid, which it received from both superpowers and which from 1954 to 1980 amounted to US\$12.7bn (Barnett, 1992; Waterbury, 1983, p. 405). In addition, state ownership of productive assets was at the heart of Nasser's political economy from 1956-1957, when Egypt moved from reformist policies to "state capitalism", and even more so after 1960-1961, when the country transitioned to what more closely resembled a centrally planned economy (Barnett, 1992; Waterbury, 1983, p. 19). And, again akin to what Mohammed Ali did, Nasser relied on crop controls, monopolies of distribution in agriculture and other sectors, as well as on price fixing. These administratively and politically advantageous "invisible taxes" played a particularly important role in the late phase of Nasser's socialist experiment (from the mid-1960s onwards), when difficulties in mobilising resources were



already signalling the exhaustion of Nasser's brand of import-substitution industrialisation (Abdel-Fadil, 1980).<sup>95</sup>

Nasser's tax policies were at first surprisingly similar to those of the last years of the monarchy. In the early post-coup years, reforms were moderate, and actually even favoured the capitalist classes Nasser thought he needed for his industrialisation plans (Barnett, 1992). For example, he introduced a number of tax exemptions for foreign investors and technical experts, as well as domestic capitalists in certain sectors of agriculture and industry, in 1952 and 1953 (Barnett, 1992, p. 87). In 1956, in the wake of the Suez Crisis, a small defence surtax was imposed, and later in the mid-1960s Nasser would at times implement smaller surtaxes on existing taxes for defence and "national security" purposes. But, overall, the old system was left largely untouched during the 1950s (El-Sheikh, 1968).

It was only in 1960-61, as part of the so-called "socialist laws", that Nasser significantly raised the marginal rates of the "general income tax" (the surtax levied after the schedular taxes have been paid) to a maximum of 80% and later 90% (before reaching 95% in 1965) while lowering the income thresholds at which they would take effect (Waterbury, 1983). The threshold of the maximum marginal rate decreased from LE50,000 in the 1950s to LE30,000 in 1960 and LE10,000 in 1961 (Waterbury, 1983). However, LE10,000 was still a very large amount of money, a level of income that was attained only by the wealthiest Egyptians. In the context of the rise in the marginal rate to 80%, it should be noted that it had already been at 70% since the late years of the monarchy when King Farouk was under domestic pressure after the defeat against Israel.

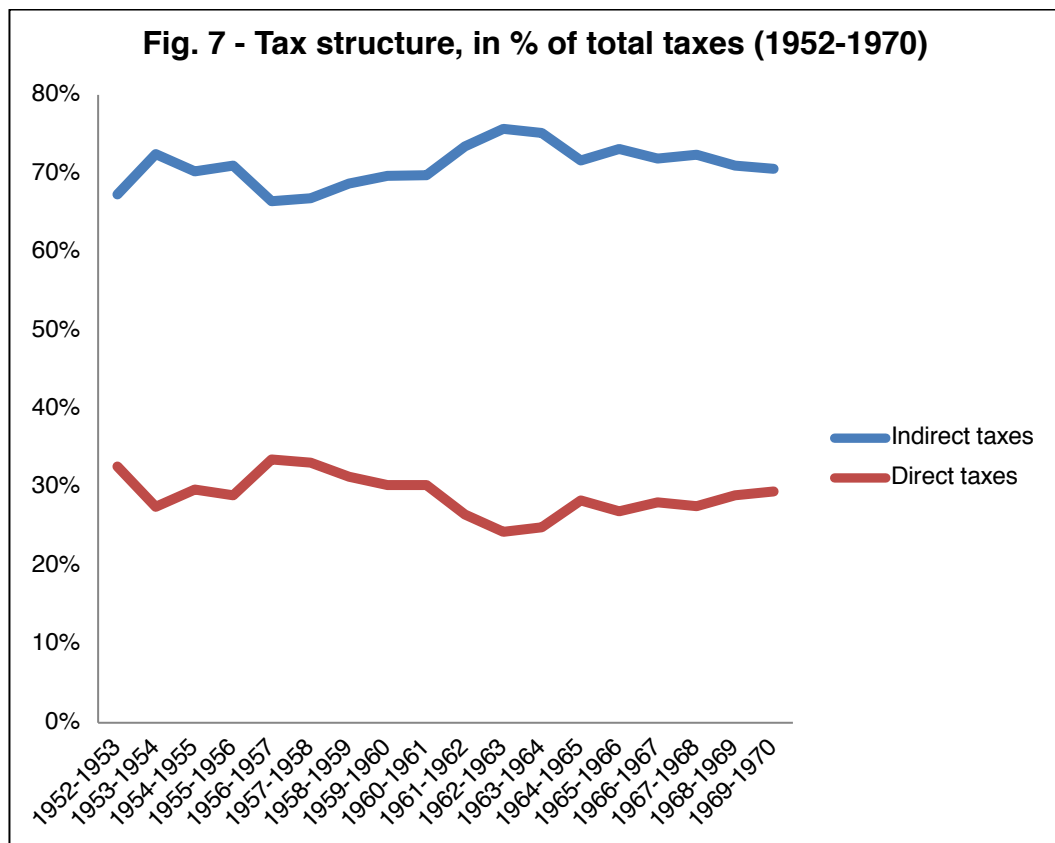
The impact of these measures remained largely symbolic and did not result in a significant modification of the tax structure. In order to more visibly accompany the shift to a real socialist system, higher taxation rates had to be implemented. But they worsened the already acute problem of rampant tax evasion in personal income taxes. Thus, the general income tax's yield actually decreased in nominal terms from LE5.2m in 1959-1960 to LE3.3m in

---

<sup>95</sup> By the early 1970s, the amount collected through fixing prices for certain products alone amounted to the equivalent of 27% of indirect tax receipts, or LE110m (Abdel-Fadil, 1980). In developing and socialist countries this strategy was common (El-Sheikh, 1968).

1965-1966, LE3m in 1970-71 and LE1.9m in 1975 (Abdel-Fadil, 1980; Wahba, 1986; Waterbury, 1983). At the same time, the vast majority of ordinary Egyptians were still earning too little to reach Nasser's tax threshold. El-Sheikh shows that in 1967/68 the threshold at which one had to start paying income taxes began at four to five times the average national income, in comparison to 1.3 times in the US, 3.4 times in Japan and 11.5 times in India (El-Sheikh, 1968, p. 93). In other words, direct taxation only applied to the wealthiest Egyptians.

The bulk of collected taxes still came from taxes and excises on the most widely consumed products (e.g. tobacco, tea, etc.) as well as from customs tariffs. But as state control over the economy increased and the public sector grew, it became also easier to levy profit taxes on companies, at least the largest ones.



Source: Own calculations based on (Abdel-Fadil, 1980)

A significant alteration of this tax structure and an increase of the total tax intake would have required a broadening of the tax base and, in particular, a greater focus on increasing revenue from direct taxation. However, this was

not done for a number of reasons. The central one was a combination of fear of a broader-based popular mobilisation against his regime and ideologically motivated concern for poor and middle class Egyptians (Barnett, 1992). Citing as a source an interview with Treasury Minister Abdel-Aziz Hegazi, who served between 1968 and 1972, Barnett explains that the government was reluctant to impose direct taxation on the masses (Barnett, 1992, p. 111). This was due to the already high levels of poverty, the “popular resistance” this could have sparked, as well as the “redistributive ethic” of the regime’s ideology (Barnett, 1992, p. 111).

Fear of mobilisation against the regime’s rule was not irrational, despite Nasser’s evident popularity. When it seized power, the regime lacked a broad and independent power base, which largely had to be engineered by the government itself (e.g. via expansion of the bureaucracy). Opposition to Nasser’s rule existed and protests erupted several times during his presidency, in particular in the wake of the 1965 economic crisis.

But Nasser also saw himself as a leader working for the socio-economic and political inclusion and emancipation of the Egyptian masses, which was, in addition to his personal charisma, the fundamental base of his popular legitimacy. His generation grew up in the historical context analysed in the previous sections of this chapter, and it is unlikely that the way in which the majority of his fellow citizens had experienced taxation in the past eluded him. Post-colonial leaders, often having a great interest as being seen as fighting for the average citizen, may therefore generally have been unwilling to maintain or even expand the most visible, unpopular and humiliating extractive tools of the former colonial masters. It is in this context that one must also see the continuing decay of agricultural taxation, which had already begun under the monarchy, but which continued under Nasser’s leadership.

In his analysis, Barnett argues that limited administrative capacity, or perceptions of it among policymakers, led to a preference for other ways of mobilising revenue. He notes, for example, that the changes in direct taxation legislation never really yielded the results that the government had hoped for, pushing it to favour more effective and responsive indirect tax levers. He quotes Hegazi as saying that indirect taxation is “where the money is” (Barnett, 1992, p. 112). But Barnett does not discuss why the government

could not, or did not want to, address the shortcomings in terms of “oversight capacity” of the tax administration he identifies as having been too low.

### *Tax administration*

The moral economy of public employment, according to which the state had a responsibility to employ people of a certain educational level, provides an explanation. According to El Sahrawi, staff numbers in the income tax authority increased from 97 employees in 1937 to 1,659 employees in 1958, but he writes that this expansion was never based on any kind of strategic planning effort to channel new personnel to where it was most needed; instead they seem to have grown in an uncontrolled fashion and it is probable that key departments like taxpayer registration, auditing, and anti-evasion were still largely understaffed (El Sahrawi, 1961, pp. 21, 33). In other words, the jobs that were perhaps the most important for a more effective enforcement of tax laws, but that are also often more unpleasant, were not created in sufficient numbers. Instead, the creation of “easier” white-collar office jobs accelerated massively, in particular during the 1960s.<sup>96</sup> In 1964, the moral economy of public employment was effectively enshrined in law – guaranteeing a government job and life tenure to every higher education graduate.<sup>97</sup> Together with subsidies on energy and food, as well as rent and price controls that all protected the purchasing power of the quite poorly paid public sector middle classes, this only further cemented historically forcefully-held views which favoured a strong role for the state in terms of providing middle-class employment.

This feeling of entitlement was reinforced by the fact that under Nasser – despite being high for its level of development – tertiary enrolment had not yet progressed to the levels known under Sadat and Mubarak. Plus, the majority of tax collectors were recruited from among either law or commerce graduates. In particular the former enjoyed great prestige at the time, which is

---

<sup>96</sup> By the time the income and sales tax authorities were officially merged in 2006, the income tax authority had a staff size of about 40,000 people.

<sup>97</sup> Nasser reduced tuition fees in 1956 and 1961, before effectively abolishing them completely in 1962, and the expansion of the graduate recruitment scheme was decided (Kandil, 2016; Wickham, 2005).

why it was a popular choice for prospective students. It had since the late 19<sup>th</sup> century and the first half of the 20<sup>th</sup> century been the symbol of elite education. Accountants who graduated from commercial faculties also generally had decent career prospects.

But as time passed, prospective civil servants were much higher in number, and the historical prestige of certain disciplines began to fade. Indeed, the progressive expansion of tertiary enrolment resulted in a massive increase in law students (Moore, C. H., 1980; Shalakany, 2006). In 1952, tertiary enrolment had already outstripped the country's industrial base, but by 1970, Egypt had as much as twice as many university graduates than its level of industrialisation would have predicted (Ayubi, 1983; Moore, C. H., 1980). While medicine and engineering remained more selective (Moore, C. H., 1980), Amr Shalakany writes that

“the legal profession's standing suffered greatly: once dubbed the ‘college of ministers’ for the inordinate number of its graduates rising into political prominence, Cairo University Law School has since then been dismissed as the ‘university garage’, a dumping ground for the least capable high school students who can not secure admission anywhere else” (Shalakany, 2006, p. 835).<sup>98</sup>

Under Sadat, the expansion of tertiary enrolment accelerated even further, and since then the overall ranking in status of various disciplines has changed only a little (Rutherford, 2013).

But despite this creeping decline in social status, which as I will show below will accelerate under Sadat, it is important to note that there is reason to believe that the quality of the core technical staff of the tax administration was still sound. As late as 1983, a USAID report noted:

“The technical preparation of most Egyptian tax officials (tax inspectors, collections, etc.) is generally very high. Most inspectors, if not all, are college graduates. The great majority are graduate accountants. Therefore, basic technical preparation of these officials, unlike in many other developing countries, is not a major concern of the project.”<sup>99</sup>

---

<sup>98</sup> Whether these policies that harmed the social standing of legal professions were deliberately decided with such an aim in mind by Nasser is unknown. But it would have certainly fit within his main priority, which was to bring about the demise of the old aristocratic elite.

<sup>99</sup> USAID project paper “Tax administration – Egypt; 263-0115”, 1983 (p. 15), USAID archives.

In other words, while the educational policies of the republican era may have resulted in the brightest students choosing other topics, Egyptian tax collectors were on the whole still well-qualified, and apparently more so than in other comparable developing countries.

### *Tax relations*

There are few if any sources that could give us clues about whether the relationship between the tax administration and society changed in the wake of the 1952 revolution, but it seems as if continuities were generally more prevalent than breaks. This seems logical, as engrained norms, attitudes and beliefs are unlikely to change quickly unless many of the personnel are replaced. Mayfield, for instance, recounts how when a delegation of finance experts came to the small delta town of Mit Ghamr in 1962-1963 in order to promote a banking development programme, and members of the delegation were to engage with the local population, there was “great suspicion and doubt”, with some townspeople arguing that they could be “tax collectors” (Mayfield, 1971, p. 242). In particular, in the countryside we have further evidence of this historically accumulated legacy of distrust vis-à-vis the tax administration and most state agencies seeking to penetrate society. Nathan Brown, for example, shows how peasants did not co-operate when it came to reporting crime or testifying in court, because they did not see the state as “trustworthy” and did not believe it could deliver sufficient protection (Brown, 1989, p. 112).

In 1953, the government passed a law that put the burden of reporting businesses and professionals onto the taxpayer and other government offices, who now had to notify the tax administration whenever they or their business moved to a new location or when they granted new licenses to businesses or liberal professions (El Sahrawi, 1961, p. 28). The result was, again, disappointing with, according to the author, only 1% of taxpayers complying with the new law and very few businesses and professionals being reported by other government offices, who apparently did little to help their fellow civil servants in the tax administration (El Sahrawi, 1961, p. 28). The taxpayers apparently simply accepted the risk of being sanctioned and, given that the

tax administration then reverted to using the data from the 1952 “manual” field survey of taxpayers, thereby admitting the failure of its project, it is rather likely that their move paid off. It did so because virtually everybody was behaving in a similar fashion. The vast majority chose not to co-operate and since the tax administration could not punish all evaders, if it had chosen to punish only some of them this would have constituted arbitrary behaviour. The political context probably played a role, too: a government, in particular one that is barely a year old, is unlikely to run the political risk of offending businesspeople and thus will opt for no sanctions instead.

In contrast with the tax administration itself, a fairly clear break with the monarchy was undertaken with respect to the judicial system, which up until today remains a key bottleneck and obstacle to more effective taxation; but if anything it made tax collection less efficient. To be sure, it is also one of the few means Egyptians have to defend themselves against the sometimes arbitrary and predatory behaviour of the tax administration. But the clogged-up judiciary to which Egyptians now had easy access, and in which taxpayers usually seemed to have been at an advantage, also became a welcome tool for delaying and minimising tax payment. The reasons for this shift are not entirely clear, but we can speculate that post-colonial social concerns largely motivated the move.

Access to the courts has historically been an important aspect of political contention. Under the protectorate and the independent monarchy, judicial fees were so high that normal Egyptians usually could not afford to go to court (Kararah, 1928, p. 57). Under the monarchy, the Ministry of Justice even seemed profit-oriented.<sup>100</sup> Under Nasser’s new regime, access to courts was democratised in order to correct this injustice. This happened via the non-updating of court fees over time, the waiving of court fees, and the massive increase in the number of law students which made legal counsel widely accessible (Brown, 2004, p. 138). The number of court cases vastly increased as more and more Egyptians went to claim their rights vis-à-vis other citizens, businesses or the state. Taxation was no exception and thus

---

<sup>100</sup> Embassy translation of the Finance Committee of the Egyptian Chamber of Deputies’ report on the 1947/48 budget, undated and unsigned, Archives Diplomatiques, La Courneuve, France, accessed July 2016.

the number of tax disputes before the courts grew exponentially, from 320 cases in 1941 to 10,639 cases in 1959 (El Sahrawi, 1961).<sup>101</sup> In all likelihood, the Egyptian judicial system was, at the time, ill-equipped in terms of size and expertise to process these cases correctly and in a reasonable time span, and the system “[favoured] procrastination tactics” (El Sahrawi, 1961, p. 20).

Thus, as Nathan Brown explains, “whereas in many countries the complaint is often heard that justice goes to the wealthy, in Nasser’s Egypt justice went to the patient” (Brown, 2004, p. 138). The attempts to address the situation have been numerous until today. In the early 2000s, several tens of thousands of tax cases were pending in court. Mostly, the remedies involved trying to move dispute resolution to mediation committees within the tax administration, so that cases got settled before they reached court, but success was limited.<sup>102</sup> In the end, the democratisation of access to justice and the overall reforms of the judiciary meant that the conflict-laden relationship between taxpayers and the tax administration was given a new institutional channel to manifest itself, thereby worsening the process of tax collection and reinforcing mutual feelings of distrust and frustration on both sides.

Thus, despite his seemingly radical tax reforms, Nasser’s direct impact on Egyptian tax collection was moderate. His progressive takeover of the national economy helped the tax administration in its endeavour of collecting income and profit taxes more effectively. The same can be said about the fact that early capacity problems among the income tax administration which seem to have been partially addressed. But while the administrative capacity and the development of the tax system seems to have progressed, it is doubtful whether tax relations at large significantly improved in the wake of a more legitimate ruler. Some measures, such as the democratisation of the court system, even further institutionalised the conflict-laden relationship. Finally, although ordinary civil servants, including in the tax administration of

---

<sup>101</sup> Part of this increase must certainly also be attributed to the general expansion of taxation (taxpayers, tax cases, etc.) in the 1940s and 1950s as the income tax system became more and more established. However, it seems unlikely that such a high increase would have occurred without a democratisation of the access to courts.

<sup>102</sup> Interview with consultant 1, 23 October 2013.



the 1950s and 1960s, among the privileged members of society in socio-economic terms, Nasser's policies cemented the expectation that the state would provide a decent middle-class life for those who manage to fulfil certain educational requirements.

## **5. The effects and legacy of *Infitah***

The presidency of Anwar El Sadat, who governed from Nasser's death in 1970 until his own assassination in 1981, was eventful and of crucial importance for the Egyptian tax system and its practical implementation. But contrary to what could be expected based on rentier state theory, I would argue that it is not primarily the 1973-war and subsequent increase in foreign aid and oil sale receipts that affected taxation the most (Beblawi, 1987; Beblawi and Luciani, 1987; Luciani, 1990). The combined effect of the continuation of existing Nasserist policies in terms of public sector employment on the one hand, and of the liberalisation of the economy under the "Open Door Policy" or *Infitah* on the other, are likely to have been more influential. While maintaining and even strengthening the basic premise of the "moral economy of public employment" – secure and easy office jobs for everyone with a minimum level of educational achievement – his policies led to an unravelling of the socio-economic promises Nasserism had connected to government employment, ushering in an era in which important parts of the bureaucracy became a mass "lumpen-salariat", as Waterbury called it, which lacked motivation and became prone to corruption (Waterbury, 1983).

While civil servants were never among the highest paid in society ever since the 19<sup>th</sup> century, under Nasser and his restrictive economy their relative status in society was middle class. Their social relegation meant that distrustful tax relations were rendered even more conflict-laden due to a workforce that was abandoned and facing an increasingly dire situation. This inability to deliver on the historical social contract, on historically-grown expectations with respect to the duties of the state, and the threat this implied for the regime's tenure pushed Sadat and his successor Hosni Mubarak to progressively adopt a social contract based on the tolerance of illegality in exchange for political acquiescence, thereby replacing the old "authoritarian

bargain” of the Nasserist era which had promised the expansion of socio-economic rights for political acquiescence (Harders, 2003).

### *Tax structure*

The year 1973 marked the beginning of Egypt’s temporary transformation into a so-called rentier state. From various sources, and almost simultaneously, external rent poured into the country. The post-1973 oil boom made Egypt’s limited oil and gas resources quite valuable. In 1975, the Suez Canal was re-opened after its closure in 1967. The massive emigration of Egyptians to the booming Gulf countries led to a large influx of remittances. Although the remittances did not accrue to the state, they alleviated the pressure on its required spending, in the area of housing for instance.<sup>103</sup> Furthermore, Sadat’s foreign policy resulted in the granting of substantial amount of US aid (Wahba, 1986). According to Mourad Wahba, who also includes tourism revenues as a form of rent (which I disagree with), external rent income as a percentage of current account receipts increased from 24.95% in 1973 to 65.13% in 1981/1982 (Wahba, 1986, p. 153). By 1981, Egypt had a higher non-tax revenue-to-GDP ratio than Iran, at 17% (Soliman, 2011). However, there are no indications that there was a “rentier effect” that would have led the government to neglect or avoid taxation more so than usual. What one can gather from a variety of IMF and USAID archival documents from different decades is that there seems to be no real difference in the amount of interest or enthusiasm the Egyptian government showed to tax policy and administration reform. According to Barnett, after 1973 the government even tried to capitalise on its higher popularity to raise taxes and enforce existing ones more strictly (Barnett, 1992, pp. 135–136). This again all points to the importance of the government’s sense of political security or security of tenure, as opposed to purely structural or technical factors.

Rather, it seems to be that Sadat’s “Open Door” (*infitah*) policies had a more significant effect by creating a tax system that was riddled by tax exemptions and loopholes. Moving away from the statist policies of his

---

<sup>103</sup> Remittances to a significant extent drove the informal construction boom, meeting the vastly expanding demand for affordable housing that the government was unable to cope with.

predecessor, Sadat sought to encourage private investment, and thought that tax exemptions ought to be a key policy tool in attracting and channelling fresh capital. Law No. 43 of 1974 gave foreign investment a tax exemption for a period of five years (with a possible three year extension) (Abdallah, 1988). In 1977, Law 32 amended these rules and further broadened the realm of tax exemptions, extending it to Egyptian investors as well, aiming in particular to attract the funds of the now numerous Egyptians abroad (Abdallah, 1988). These growing exemption schemes were also designed to “mitigate the unreasonable burden of income taxes” (Abdel-Rahman, 1978, p. 173), symbolised by the high marginal tax rates that weren’t abandoned until the late 1970s (probably because they still symbolised social justice in times of increasing social inequality).<sup>104</sup> Exemptions were very generous in finance, where, in addition to the real estate sector, much of the growth was happening and where the economic elites were, and to a certain extent are until this day, sheltered from taxation. One can therefore safely assume that significant potential tax revenue was lost, and indeed secondary sources report increases in the abuse of tax exemptions and in the corruption surrounding them (Kandil, 2016, p. 295).

Throughout Mubarak’s rule who succeeded Sadat in 1981, Egypt had to deal with a sustained fiscal crisis due to declining state revenues, above all of rent income, and ballooning expenditures on public sector wages, amongst others. Initially, the government pursued some modest efforts to improve tax administration, but without, however, altering the structural weakness of the system.<sup>105</sup> By the late 1980s, Egypt required an IMF bailout. As part of its intervention, the Fund demanded the implementation of a general sales tax. Egypt did so in 1991, but in a first phase only applied it to importers and wholesale traders because the government was still wary of confronting consumers with it. Thus, retailers were to be integrated in a second phase of

---

<sup>104</sup> In 1978, a major tax reform did eventually abandon the confiscatory income tax rates (Waterbury, 1983), but this move does not seem to have had a major positive impact.

<sup>105</sup> The improvements were due to improved training and the introduction of limited computerisation. Office memorandum from M. Wattleworth to M. Tanzi, Use of Fund Resources Mission to Egypt Back-to-Office Report, 23 August 1983, Archives of the International Monetary Fund, accessed August 2017.

the system. The sale of services was not yet taxed.<sup>106</sup> Income taxes were reformed as well, but rather marginally. Law 187 of 1993's main function was to unify taxes further across types of income – in other words shifting away from the schedular system – without actually changing the system or its administration.<sup>107</sup>

The introduction of the sales tax turned out to be quite successful and over the 1990s and 2000s came to be Egypt's single most important tax. However, despite the aforementioned minor improvements at the margin, income and profit taxation, as well as the virtually forgotten taxation of built property and agricultural land, were all considered to be outdated and ineffective. After appointing a new cabinet in 2004, a number of tax reforms were launched – they will be covered in greater detail in the remainder of this dissertation.

### *Tax administration*

Sadat's administrative footprint, which he left via his general policies and the "Open Door"-liberalisation, are likely to have had a significant impact on Egypt's tax collection performance in the long term. Under Sadat, the role the state played in employment was reinforced quantitatively and, to a certain extent, qualitatively as well. Despite his turn towards a more private sector-led economy, Sadat did not revoke Nasser's expansive recruitment policies in the bureaucracy. To the contrary, bureaucratic growth accelerated, though we do not have precise staff number trends for the tax administration alone (Ayubi, 1989, pp. 62–63). Furthermore, in 1973, he signed a law guaranteeing state employment to all demobilised army recruits, regardless of educational attainment (World Bank, 2004). Overstaffing became even more acute.

More importantly, Law 47 for the year 1978 provided new comprehensive rules for the civil service, which was expanded to include all budget-dependent employees of government ministries and agencies which were dependent on the central government budget (i.e. excluding SOEs), and

---

<sup>106</sup> This happened in 2016, as part of the transformation of the general sales tax into a value-added tax.

<sup>107</sup> Law 187 of 1993.

enshrined virtually total job security, even in cases of poor work performance, as well as other far-reaching privileges into law. Abdel-Basset, who conducted a study among high- and mid-level managers in the civil service, writes that “over 42% (15/33) [sic] considered the law of public employment the mother of all the current civil service problems and performance deficiencies” (Abdel-Basset, 2009, p. 203). Respondents argued that it made civil servants virtually immune from any form of sanction (Abdel-Basset, 2009, p. 203).

At the same time, the historical promise that civil service jobs would enable people to lead a decent middle-class lifestyle became one that the government could no longer keep. On the one hand, the government prioritised quantity and reach of job provision over quality, effectively choosing the employment of large swathes of the population at survival wage levels. On the other hand, the greater degree of openness of the economy to foreign, in particular Western, imports, the increased opportunities for private sector activities, and the closer economic ties to Gulf countries through emigration, remittances and investment led to the emergence of a “new bourgeoisie” which made fortunes, mostly in commerce and real estate. In addition, some members of the *ancien régime* elite who had been marginalised by Nasser’s regime, made their “comeback” under Sadat (Kienle, 2001). The average public sector worker or civil servant, and in all likelihood also the average tax collector, saw many people around him or her becoming richer and able to afford expensive imported products while his or her own position - not only financially but also in terms of status and prestige - stagnated or even declined in relative terms (Bianchi, 1989, p. 47). As Aulas argues, the “logic and moral structure of Nasserism came unstuck” (Aulas, 1982):

“The majority suffered. For small peasant producers, artisans, state employees, industrial workers and impoverished urban unemployed, *infitah* was a disaster. Its economic effects and its ideology threatened their survival, forcing many to emigrate and others to rebel on an individual basis through crime or spiritual retreat. Middle-level state employees, who had provided the Nasser regime with its social base, were among the most adversely affected by *infitah*. Their salaries were seriously eroded by inflation. Attached economically and politically to the state, they were horrified at the threat that *infitah* posed—and the disintegration that was already occurring—in the state structure. Many

fought the new measures by bureaucratic resistance. Some sought to get on the *infitah* bandwagon by absenteeism to pursue new opportunities and by using the influence of their state jobs for corrupt gains.” (Aulas, 1982, p. 14)

Indeed, Sadat’s policy shift further opened up opportunities for rent-seeking and corruption, including in the tax administration. To be sure, indications of corruption and rent-seeking in the state bureaucracy and the tax administration are found in a number of sources consulted for this chapter, from early 20<sup>th</sup> century works to later ones (Ayubi, 1980; El Sahrawi, 1961; Lévi, 1935; Waterbury, 1983). But sources do seem to indicate that the extent of corruption reached new heights in the 1970s (Amin, 2011; Ayubi, 1991a; Finklestone, 1996).

Under Mubarak, initially little changed in terms of how the tax administration was structured or how it functioned. However, the sales tax introduction 1991 led to the creation of a new sales tax department, which absorbed the department that had thus far been responsible for the collection of various consumption taxes. The new sales tax authority was overall said to be better equipped, in particular in terms of computers, and staffed with personnel more accustomed to modern management styles than the income tax or the real estate tax authorities.<sup>108</sup> The differences among staff of sales tax, income tax and real estate tax departments led to increasing divisions with respect to remuneration and working conditions. By the mid-2000s, social movements were under way, and in 2007, in what would later become known as an important prelude to the revolution, the real estate tax collectors protested for wage parity with their colleagues of the newly merged Egyptian Tax Authority (combining sales and income taxes) and later founded the first non-regime controlled labour union since the 1950s (Beinin, 2009, 2011; Bishara, 2015; Lachapelle, 2012). Under increasing pressure, the government gave in to their demands.

### *Tax relations*

---

<sup>108</sup> Interview with consultant 1, May 2010; Interview with former MoF adviser, May 2010; Interview with Mounir Fakhry Abdelnour, former member of the Budget and Planning Committee of the People’s Assembly, May 2010; Interview with tax collector 1, 29 May 2014.

Perhaps more so than in tax relations alone, which as I wrote above were said to have grown more corrupt in the aftermath of Sadat's *Infitah*, the president's rule was characterised by a broader shift in state-society relations. Indeed, while Nasser's regime had suffered from problems of economic exhaustion and popular dissatisfaction, it was Sadat who had to cope with a crumbling "authoritarian bargain". The old implicit social contract had promised the expansion of socio-economic rights, improvements in the standard of living, a minimal safety net for the poor and a general development of the country, in exchange for political acquiescence (Kamrava, 2014; King, 2009). But by the 1970s Egypt was reaching an impasse as neither Sadat's *Infitah* policies nor rent inflows were able to durably solve Egypt's chronic fiscal problems.

This is when the Egyptian regime made the formative experience of attempting to roll back key redistributive policies that had become part of the social contract, namely food subsidies. In early 1977, Egyptians woke up to price increases of main food staples, including bread, around which scholars argue there exists a moral economy (Frerichs, 2016). Spontaneously, protests erupted around the country and rioting in key urban centres seriously threatened the tenure of the regime, which could only be safeguarded through the deployment of the military, leading to numerous deaths, and the reinstatement of the subsidies. It is crucial to note that according to Adly, "public sector workers and civil servants spearheaded the protests by launching a series of strikes and demonstrations" (Adly, 2014). While social and political unrest had, of course, existed before, these so-called "Bread Riots" have marked an entire generation of Egyptian republican leadership and are a key factor in explaining the following decades of gradualism and immobilism, not only in socio-economic policy making and reform, but also in everyday state-society relations (Seddon, 1990). This philosophy especially marked the presidency of Hosni Mubarak (Soliman, 2011).

The relatively high expectations of what the state should do and provide that were raised by the state over previous decades, and in particular since Nasser, have survived until present times – and still play an important role in the lives of taxpayers and tax officials, as I shall explain in subsequent chapters. There is clear evidence for this proposition. Data from the World

Values Survey for example shows that Egyptians strongly support the idea that the “government should take more responsibility to ensure that everyone is provided for”, and much so than in comparable countries. On a scale where 1 indicates less, and 10 more responsibility, Egypt’s mean is 7.3, whereas the mean score of middle-income countries (MICs) is only 6.2 and that of low-income countries (LICs) 6.1.<sup>109</sup> Egyptians also much more agree with the statement that government, instead of private ownership of business should be increased. On a scale where 1 indicates more private ownership and 10 more state ownership, the mean is 4.4 for LICs and 5.2 for MICs. For Egypt the mean stands at 6.8.<sup>110</sup> In other words, while the objective situation declined, high expectations vis-à-vis the state still lingered on, which as I shall continue to argue throughout the thesis, are a source of frustration and disappointment.

In terms of the interactions between taxpayers and the tax administration, the situation in the 1990s and 2000s shows how by that time, distrust in tax relations was so entrenched that the government grew increasingly conscious of problem, and seemed to want to address it. The implementation of phase 2 of the sales tax is a good example. Entrepreneurs did not want to provide information that could then be shared with the income tax authority, which still levied taxes of up to 32% or 40% in corporate tax, depending on the legal form of the business and the activity, and was known to over-estimate profits. As Samer Soliman’s account shows, the response of the sales tax authority was quite surprising:

“In 1995 the director of the General Authority for the Sales Tax had personally assured merchants that no information from his authority would wend its way to the income tax department. His assurances failed to convince merchants, and in view of their continued and strong opposition, the chairman of the Cairo Chamber of Commerce Mahmoud Al-Arabi had asked the government to hold off on the second phase until it reformed the income tax system.” (Soliman, 2011, pp. 112–113)

In other words, the head of the sales tax authority pledged to co-operate with taxpayers in not sharing information that may reveal that they were evading

---

<sup>109</sup> World Values Survey, 6<sup>th</sup> wave, 2014.

<sup>110</sup> Ibid.



taxes, knowing that otherwise taxpayers were unlikely to co-operate. This was quite an absurd situation as for any tax administration, the cross-checking of information should be one of the key tasks.<sup>111</sup>

Other research, such as that conducted by Diane Singerman in a popular neighbourhood in Cairo that I quoted in more detail in the previous chapter, also paints a picture of still conflict-laden tax relations, in particular in day-to-day interactions (Singerman, 1995). This may have been reinforced by the fact that, with little updating to tax thresholds and increased inflation during the 1970s and 1980s, more and more SMEs, professionals and other individuals became progressively legally liable for income taxes. At the same time, tax collectors were, like the vast majority of Egyptian civil servants, continuing to fall on the social ladder during most of the 1980s and 1990s, thereby encouraging the corrupt and predatory behaviour that many Egyptian taxpayers still complain about today.

To conclude, Egypt's republican era did not result in a significantly more effective tax collection. All three presidents were too constrained by fears of political upheaval and/or socio-economic concern for ordinary Egyptians to agree to broader-based and more effective taxation. Distrust was still prevalent in tax and more state-society relations. And the moral economy of government employment resulted in the cementing of expectations of the state as having duties to provide decent and secure government employment offering the prospect of maintaining a middle class living standard. Under Sadat's watch, civil servants, while never particularly well paid, began to take a severe hit in comparison to other social classes. Sadat and Mubarak's simultaneous attachment and breaking of the historical social contract, their acceptance of massive over-employment in the bureaucracy even if it meant social relegation for employees, led to lower morale, increased corruption, predation and arbitrariness, and thus overall lower levels of effectiveness in the implementation of laws, much of which will be studied in further detail in the remainder of this dissertation.

---

<sup>111</sup> Interview with consultant 1, May 2010.

## Conclusion

In this chapter, I sought to explain how, over time, tax relations took its present-day shape. There are several key trends that emerge from Egyptian tax history. First, I identify the production of a legacy of distrust as a consequence of coercive and predatory state-building that failed to generate support and legitimacy and that was unable to produce trust in agents of the government. The unchecked power of despotic rulers allowed them to embark on an ambitious pursuit of rapid economic development, military expansion and regime consolidation. But in the absence of any mobilisational device (e.g. nationalism, existential threats, etc.), the extraction of material and human resources for these projects happened through violence and, especially under Ismail, arbitrariness.

Second, there was a shift from regressive and repressive collection strategies towards more lenient extraction. Part of it is related to the changing economic structure of the country and its development. But colonisation and decolonisation also transformed the political context for domestic and foreign elites by creating new expectations and ideologies, new power dynamics and new interests, as well as a general politicisation of society, coercive methods of tax collection that strongly exploited ordinary Egyptians became increasingly unattractive, because of ideological preferences or due to fears of popular mobilisation (or a combination of both). Wars and moments of intense national mobilisation (e.g. wars, crises, etc.) that did exist in the 20<sup>th</sup> century would have needed to be more actively used by political leaders to impose a broader-based tax collection. But, Nasser and Sadat felt too insecure in their rule, and parts of the regime's legitimacy lay in its caretaker role. In sum, the politics of 20<sup>th</sup> century Egypt made regimes more sensitive to the situations and opinions of ordinary Egyptians.

Third, I showed that views and attitudes regarding the duty of the state to act as an employer, or what one can call a "moral economy of public employment", emerged from the 19<sup>th</sup> century onwards, when few opportunities in private employment existed for the growing domestic elite. Nasser expanded and institutionalised these promises by guaranteeing public employment to university graduates that would – with the help of his other

policies (subsidies, price controls, etc.) – allow them a safe and decent middle-class lifestyle. It is the simultaneous continuation of the weight of these promises and their breaking under Sadat and Mubarak that significantly worsened problems linked to low morale, overstaffing, arbitrariness and corruption, etc.

This chapter complements the existing literature in a number of ways. The first contribution is empirical in nature, in that this chapter constitutes a first attempt at retracing the history of Egyptian tax collection until the present day. Second, it provides an historical explanation for why distrust in state-society relations, including taxation, is so prevalent in Egypt (and other developing countries), and why taxation became increasingly characterised by leniency, contributing to a small but growing research programme on the long-term effects of low trust on contemporary administrative outcomes (Becker *et al.*, 2016; Uslaner and Rothstein, 2016). Third, this chapter shows that while parts of Egyptian history seem to fit Margaret Levi's effect of rulers' discount rates on tax collection – pushing them to extract more when their tenure is insecure – in the 20<sup>th</sup> and 21<sup>st</sup> centuries the opposite effect seems to have dominated (Barnett, 1992; Levi, 1988). If anything, rulers' greater insecurity and greater valuation of the present over the future led them to extract less rather than more tax revenue, because taxation is usually perceived as a threat, not a potential asset, to their hold on power. Fourth, while I agree with much of Michael Barnett's work, I believe that my analysis provides additional insights on how the political and moral economy factors he identifies actually influence what he refers to as state or administrative capacity. Fifth and finally, the fact that other factors than external rent inflows are likely to have negatively affected the effectiveness of tax collection from the 1970s onwards further lends support to critics of rentier state theory such as Waldner and Smith who questioned the empirical basis of the "resource curse", arguing instead that often with or without rents certain states would have experienced negative economic and political development outcomes (Waldner and Smith, 2015).

## Chapter 3: The politics of micro-level tax relations

### Introduction

In Chapter 2, I explained how tax collection in Egypt historically came to be characterised by distrust, moral economies of a caretaker state and regime insecurity. In this chapter I shall investigate how distrust and the persistent but broken social contract affect tax relations at the micro-level, where low-level tax collectors and “ordinary”<sup>112</sup> taxpayers interact. In line with the analytical framework presented in Chapter 1, this chapter will concentrate on the level of micro-level state-society relations, whereas the following two chapters will be more state-focused (looking mainly at tax collectors, the tax administration and the political leadership).

In the introduction to this dissertation, I explained how tax laws were poorly enforced. Amongst other failings, tax registration is deficient, taxpayers do not file tax returns (or file late or only intermittently), underreport income, and ignore documentation requirements. The tax administration rarely and inconsistently punishes this behaviour with the sanctions stipulated by the law. A number of these issues were targeted by the 2005 income tax reform. Specifically, the reforms sought to “establish trust” between the taxpayer and the tax administration. Instead of arbitrary tax assessments followed by negotiations over the tax liability, and gradually increasing tax payments over the years independent of the income situation, the tax administration was generally supposed to believe the tax return was accurate or otherwise prove that it wasn't. At the same time, in line with the overall “carrot and stick” approach the government sought to adapt, the positive incentives to comply (e.g. simplified system, lower marginal rates, a tax amnesty, etc.) were supposed to be complemented by tough sanctions ranging from fines to jail sentences. In practice however, little has changed for most Egyptian firms and taxpayers.

---

<sup>112</sup> In line with the scope of my research presented in the introduction, I here take ordinary to mean taxpayers that are not large enterprises.

Conventionally, this is explained in terms of low administrative capacity and rent-seeking bureaucrats. I argue that this picture is incomplete. Through an analysis of the aftermath of the 2005 income tax reform I show that we must focus more closely on the role of distrust and moral economies among ordinary tax collectors. At this lower level of analysis – micro-level tax collection – I did not find evidence for the third hypothesis put forward in Chapter 1, namely that (perceived) risks to the regime’s stability contribute to lax enforcement.

More concretely, I show that the shift to trusting the taxpayer with the information he provides in the tax return, while achieving mixed results among taxpayers, did not go down well with many tax collectors. To be sure, this can be to a certain extent traced back to potentially reduced discretionary powers. However, I also show that in particular experienced field staff has trouble trusting people they know to cheat on their return, and are unwilling to naively forego sizeable sums they consider to be the “state’s right” (*“haqq el dawla”*). In addition, if we look at taxpayer registration and the enforcement of sanctions for non-compliance, there is on the one hand a “moral economy of small entrepreneurship” that prevents tax collectors from being what they consider “too harsh” in the implementation of sanctions prescribed by law. On the other hand, a “moral economy of civil service employment” and expectations and attitudes related to their status as tax collectors and middle-class Egyptians, results in many tax collectors considering that certain tasks or aspects of their job are inappropriate, degrading or dangerous for them.

The chapter makes an important contribution to the literature on taxation in developing countries because when scholars studied distrust or moral economies, they did so largely from a taxpayer perspective, while I make the case that they affect tax collectors just as much as they do taxpayers. Furthermore, the chapter will show how more alternative, conventional hypotheses such as administrative capacity or strategic/rent-seeking behaviour can in fact interact with and be shaped by widely-held expectations, attitudes, and beliefs among tax collectors.

This chapter begins with a brief overview of the functioning of tax collection and of the 2005 tax reform. I then discuss why establishing trust and shifting towards more co-operative assessment and collection

procedures has largely failed. Finally, I analyse the non-enforcement of sanctions and weak taxpayer registration.

## **1. Background information: tax collection in Egypt and the 2005 income tax reform**

The current income tax system is governed by Law 91/2005, which replaced Law 157/1981 and its amendments by Law 187/1993. Later in this section, I shall present the key changes brought about by the reform. First, I will give an overview of the legal situation in place at the time of fieldwork.

### **i. The Egyptian tax system**

Most Egyptian entrepreneurs, in order to operate legally, need to obtain at least three key documents: (1) a tax card ("*bitaqa daribiyya*"), granted by the local office of the Egyptian Tax Authority (ETA); (2) an entry in the commercial registry ("*sigil tugar*"); and (3), although this depends on the nature of the company, a business permit ("*rukhsa*") delivered by the municipality.<sup>113</sup> Once these steps are taken, the business faces a number of tax obligations, depending on its legal status, the nature of its activity, its size and economic success. Most businesses in Egypt are sole proprietorships and are liable as natural persons. In other words, the individuals behind the company are subject to either the "tax on commercial and industrial activities" or, if they practise a liberal profession, the "tax on liberal and non-commercial professions". Legal persons – i.e. partnerships, limited liability companies, public limited companies, co-operatives, public entities, etc. – are subject to corporate tax.

By virtue of Articles 82 and 83 of the Law 91/2005, all natural and legal persons with any income other than from employment are required to file a yearly income tax return with their local tax office (taxes on income from employment should be withheld by the employer at the source and remitted to

---

<sup>113</sup> Liberal professions face somewhat different regulations: they also need a tax card but the registration of their activity is usually done through their competent professional syndicate (doctors, lawyers, journalists, engineers, actors, etc.).

the tax authority). The income and corporate tax rates currently range from 0% to 22.5%. Individual taxpayers benefit from a personal exemption of LE7,000. Taxable income is then taxed at 0% between LE0 and LE7,200,<sup>114</sup> followed by 10% on income between LE7,200 and LE30,000, 15% on income between LE30,000 and LE45,000, 20% on income between LE45,000 and LE200,000, and finally 22.5% above an income level of LE200,000. For legal persons the system is much simpler, as there is a flat rate of 22.5% applicable from the first pound of income. Taxpayers may file an appeal if they deem themselves to have been overtaxed. A committee is then formed to examine the taxpayer's request. If both parties cannot agree on a settlement, either party can pursue the matter in court.

Depending on their situation, businesses are also legally obliged to collect sales tax, which they can credit against the sales tax paid to suppliers.<sup>115</sup> Sales tax collection was governed by law 11/1991 and was not part of the 2005 reform. It was in September 2016 replaced with the value added tax or VAT (Law 67/2016). Before the introduction of the latter, all importers, manufacturers with an annual turnover of more than LE54,000, and traders with an annual turnover of more than LE150,000, were required to register and collect sales tax.<sup>116</sup>

Businesses are required to keep records in accordance with both the law and the executive regulations. There are simplified bookkeeping procedures that do not require small companies to keep detailed accounts, and the threshold varied for this over time. Regulations released in 2009 meant that only natural persons with invested capital greater below LE50,000, an annual turnover smaller than LE250,000, and an annual profit according to

---

<sup>114</sup> The LE7,200 threshold was enacted only very recently, in 2017. Before, it stood at LE6,500. This was a reaction to the high levels of inflation.

<sup>115</sup> At the time of my field work (2013/14 and 2015/16), the value-added tax currently in force had not yet been introduced.

<sup>116</sup> Since then, the threshold for VAT registration has been significantly raised, to an annual turnover of LE500,000. But the VAT now applies to all goods and services, at a higher standard rate of 13% (which will be increased to 14% in 2018). According to an ETA official quoted in the American Chamber of Commerce's (AmCham) "Business Monthly", an estimated 200,000 service providers which did not pay sales tax now have to pay VAT, whereas 120,000 small businesses which used to have to pay sales tax will now fall below the new VAT registration threshold. <http://www.amcham.org.eg/publications/business-monthly/issues/250/October-2016/3498/new-vat-sparks-chaos-and-confusion>. Also, for some basic goods, there are exemptions or reduced VAT rates, whereas higher rates are often applicable on a number of luxury goods.

the last tax assessment smaller than LE20,000 could benefit from them.<sup>117</sup> This threshold was quite low, meaning that according to the law many companies were supposed to keep detailed books. In 2012, the threshold was raised natural persons with an annual turnover of less than LE1,000,000 were included. However, and this is crucial, none of the simplified accounting standards exempt taxpayers from issuing and keeping all receipts and proofs of transactions whether it be sales or purchases. It is therefore illegal not to issue customer receipts or not to keep a minimal paper trail of business dealings.

The law stipulates various sanctions for failing to comply with these various obligations. Offenders risk a fine equal to the evaded tax sum and/or imprisonment of between six months and five years. In the case of a second tax evasion offence, jail time is mandatory. Income tax evasion is defined as filing a tax return on the basis of fabricated books, filing a tax return on the basis of no books while in fact they exist, wilfully destroying business records related to taxes before a certain deadline, fabricating documents leading the administration to believe that profits were lower or losses were greater, or concealing a taxable activity. Other infractions are not considered as severe: failing to file either an “activity commencement notice” (i.e. to register with the tax authorities)<sup>118</sup> or a tax return are less serious offenses and are only punishable by a fine of between LE2,000 and LE10,000. Sales tax evasion is defined as the failure to register in due time, omitting sales in the tax return, unjustified deductions and refund claims, filing false documents, underreporting in excess of 10%, the non-issuance of receipts to customers, failure to file the return and pay the tax for more than 60 days, and issuing tax invoices without being a registered taxpayer.<sup>119</sup> According to Article 43 of the sales tax law, evading taxes (or attempting to do so) can lead to a fine of between LE1,000 and LE5,000 and/or imprisonment of no less than a month,

---

<sup>117</sup> <https://www.youm7.com/story/2009/12/6/-/الضرائب-تصدر-القواعد-التنفيذية-لمحاسبة-المنشآت-الصغيرة-163289/ضربياً>.

<sup>118</sup> I am uncertain what the legal difference between not filing an activity commencement notice and concealing a taxable activity is. It is possible that this ambiguity is also perceived as such by the tax administration personnel. In any case however, even fines between LE2,000 and LE10,000 are and were in particular at the time of writing of the law non-negligible.

<sup>119</sup> [http://www.egypt.gov.eg/english/laws/tax/chp\\_eleven/part\\_one.aspx](http://www.egypt.gov.eg/english/laws/tax/chp_eleven/part_one.aspx)



in addition to the payment of the tax liability in full. In sum, this shows that the law does provide for strict sanctions for all common acts of non-compliance.

Administratively, the ETA is also entrusted with taxpayer registration activities. These are not determined precisely in the law or the executive regulations but are within the domain of competence of the commissioner of the ETA. The ETA has always maintained registration departments that are entrusted with surveying and registering new taxpayers in the field.

ii. The 2005 income tax reform and its changes to assessment and enforcement practices

The 2005 income tax reform was the first major reform of minister of finance Youssef Boutros Ghali, who was appointed in 2004 as a member of a “reform-oriented” cabinet led by Prime Minister Ahmed Nazif. The minister said in a speech delivered in 2006: “It was time in July of 2004 to review the relationship between the economic individual and the state. It was time that the traditionally predatory relation between the Treasury and the taxpayer be changed to a genuine partnership.”<sup>120</sup> This new partnership was supposed to be based on trust: “Under the old law, the taxpayer was considered guilty until proven innocent. Now the tax administration trusts the taxpayer” (Ramalho, 2007, p. 35). In an internal letter to the ETA employees the tax commissioner declared the “end of the era of collection and the beginning of the era of serving the taxpayer so as to achieve his voluntary compliance”.<sup>121</sup> This was embodied in the shift from “administrative assessment” to “self-assessment”. While tax returns had existed under the previous system too, their role was more marginal, as the tax administration used it as one source of information among others, and in the end determined the tax liability on its own. If the tax administration wanted, it could easily reject tax returns as false and baseless. In many cases it estimated taxable income in a rather arbitrary fashion, via the so-called and much-dreaded “presumptive estimation” or “*taqdir guzafi*”. This would then often be followed negotiations over the tax liability.

---

<sup>120</sup> <http://www.globalization101.org/what-egypt-thinks-about-globalization-2/>

<sup>121</sup> Internal letter of the tax commissioner on the merger of the general and sales tax departments into the Egyptian Tax Authority, January 2007, own translation, <http://www.ltc.gov.eg/pdf/message.pdf>

Furthermore, the next year the tax liability was often not based on the current income situation, but would consist of a moderately increased tax liability of the previous fiscal year.

The reform explicitly wanted to break with such practices (Abdel-Mowla, 2012, p. 63; Ramalho, 2007).<sup>122</sup> From now on, the tax return filed by the taxpayer would be presumed to be accurate and truthful, unless proven otherwise.<sup>123</sup> The taxpayer would pay the tax liability in the return, and the tax administration would only audit a sample of taxpayers ex post. The legal option of presumptive estimation still existed in theory although the Minister remained adamant that “the *taqdir guzafi* was eliminated, it was not allowed”.<sup>124</sup> According to Article 90 of Law 91/2005 the setting in which it was still legally allowed was when taxpayers filed no return or a return lacking documentation, or when the tax authority has documents proving that the return or its documents are false. Given this high threshold and burden of proof, rejecting tax returns and using presumptive assessments to determine the tax liability should mainly be restricted to non-filers. Other officials and consultants said negotiation around the tax liability, as would commonly arise out of situations of simultaneous underreporting and overassessment, was supposed to be strongly limited after the reform. Ashraf El Araby, the former commissioner of the ETA, stated that “bargaining is not in the deal any more” (Ramalho, 2007, p. 35).

The two other main incentives were a tax amnesty designed to settle old disputes and encourage the non-complying actors to register, as well as a strong reduction in tax rates. Indeed under the old system marginal rates were as high as 40% depending on the type of income and the legal status of the taxpayer, whereas in 2005 all income and profit taxes were capped at 20% (after the revolution the top marginal rates were amended several times – both up- and downwards). In line with the “carrot and stick” approach, Boutros Ghali declared that taxpayers would be “will be held criminally

---

<sup>122</sup> Interview with Youssef Boutros Ghali, 1 March 2017.

<sup>123</sup> The commissioner wrote to his employees that “complete trust of all taxpayers is being adopted by the law and the tax authority”. Internal letter of the tax commissioner on the merger of the general and sales tax departments into the Egyptian Tax Authority, January 2007, <http://www.ltc.gov.eg/pdf/message.pdf>

<sup>124</sup> Interview with Youssef Boutros Ghali, 1 March 2017.

responsible and accountable for [their] claims” (Ramalho, 2007, p. 35).<sup>125</sup> The aforementioned letter of the tax commissioner stated that “after these incentives and facilitations tax evasion amounts to a crime against the nation and the citizen”.<sup>126</sup> Advertising campaigns on TV and radio famously conveyed this dual message: the tax system is fairer and simpler now, but if you do not comply you will face fines and jail sentences.

The purpose and intended outcome of the 2005 reform was therefore on the one hand that the tax administration ends or significantly reduces some of its more arbitrary practices, trusting the taxpayer and expecting his or her trust in return. On the other hand, it was that sanctions be applied effectively. This applies also to the work of taxpayer registration departments, who are theoretically in charge of registering new taxpayers in the field and of any kind of tax inspector in the field who encounters non-registered taxpayers. However, as we shall see, both the establishment of trust and the effective enforcement of sanctions have not yielded the hoped-for results.

## **2. The difficulties of establishing trust in tax relations**

### **a. Persistent taxpayer distrust in the state**

As I explained above, a key goal of the 2005 income tax reform was to break the negative equilibrium in tax relations and to provide a “fresh start” for both sides. In effect, the state decided to make the first move and unilaterally trust the taxpayer. Despite some initial success, in the medium term the “establishment of trust” proclaimed after the reform was largely unsuccessful on both sides. To be sure, there were indeed improvements. Quantitatively, there was an increase in tax returns filed, from 1.7m tax assessments on active taxpayers sent out by the tax administration before the reform, to 3.1m tax returns filed in the first year after the reform.<sup>127</sup> But according to the head of a technical assistance programme on Egyptian tax reform, 700,000 returns

---

<sup>125</sup> The criminal penalties were fines and/or imprisonment left at the discretion of the courts. Article 133 further stipulates mandatory jail sentences for repeat offenders.

<sup>126</sup> Internal letter of the tax commissioner on the merger of the general and sales tax departments into the Egyptian Tax Authority, January 2007, <http://www.ltc.gov.eg/pdf/message.pdf>

<sup>127</sup> Interview with consultant 1, May 2010.

were empty.<sup>128</sup> Still this would amount to an increase by more than 40%, albeit from a very low base. However, it is difficult to attribute this unambiguously to increased trust. Lower tax rates and simplified procedures in combination with the announcements in the media campaigns that evaders would be strictly punished are likely to have played a significant role in shaping taxpayer behaviour. But a number of the registered taxpayers I interviewed did indeed reported better treatment and greater professionalism, or that the tax administration tends indeed to believe one's statements more and act according the principles of the reform.<sup>129</sup> This is also reflected in business answers to a World Bank enterprise surveys conducted before and after the reform, and which indicate that on average fewer businesses viewed tax administration as an obstacle to business (Abdel-Mowla, 2012, p. 63). Among tax collectors, there are also some employees who appreciate the simplicity of the new system and the fact that the new tax return introduces a clearer basis for the staff to work on.<sup>130</sup>

On the whole however, change was very uneven. World Bank survey data shows that firms who were not individually-owned and more generally larger firms reported improved tax dealings with the administration, but that little had changed for smaller businesses and sole ownerships (Abdel-Mowla, 2012, pp. 63–69). For many of my interviewees – most of whom own or manage SMEs – distrust was and still is extremely widespread. A manager of a car parts business in the North Cairo district of Shobra said that he had heard that “back then [after the reform] the people said yes the tax office believes people, but I don't believe these things.”<sup>131</sup> While distrustful taxpayers are nothing new in the scientific literature, what I observed seems to have been more deep-seated and fundamental distrust than the one commonly described by scholars of taxation. Margaret Levi for instance writes that for effective tax collection, people need to trust that the government will hold its side of the bargain and provide public goods, and that it will force

---

<sup>128</sup> Ibid.

<sup>129</sup> Interview with taxpayer 3, 11 March 2014; Interview with taxpayer 6, 21 May 2014; Interview with taxpayer 7, 23 July 2014; Interview with taxpayer 10, 21 April 2014; Interview with taxpayer 11, 22 April 2015; Interview with taxpayer 13, 27 April 2015; Interview with taxpayer 22, 24 June 2015; Interview with taxpayer 27, 15 July 2015.

<sup>130</sup> Interview with tax collector 12, 19 August 2015.

<sup>131</sup> Interview with taxpayer 16, 19 May 2015.

everyone else to pay (Levi, 1988, pp. 52–53). Indeed, a number of tax collectors, experts and taxpayers have confirmed this in interviews and mentioned the competitive disadvantage this could mean for registered and potentially taxed businesses, or simply the unwillingness to be the only one to contribute to the collective effort.<sup>132</sup>

But for several of the interviewees it was not only about being “the sucker”, i.e. being the only one to pay or giving money to the state for “nothing”, but about strong beliefs in unfair treatment by the state.<sup>133</sup> The end of a conversation with a small, non-registered shop owner exemplifies this distrust quite well. He simply said, “thank God [the government] is now far from us”.<sup>134</sup> A former MoF official told me he did himself not believe in the success of the tax amnesty that came with the income tax reform of 2005: “The amnesty, [...] it never worked, for different reasons. People believe that it is a trap, that you just give them an amnesty [...] but [that] you will get them...”<sup>135</sup> A freelance economist quoted in the American Chamber of Commerce in Egypt’s *Business Monthly* felt the same way, and that said that he “would be an idiot to put [himself] in that position if [he] can help it”, referring to engaging in dealings with the tax administration.<sup>136</sup>

Even at the time of fieldwork people still feared the arbitrariness of “presumptive estimation”, which despite claims to the contrary by the Minister was still widespread, for reasons to which I shall return further below. Thus, among Egyptian taxpayers and potential taxpayers the “common wisdom” that the tax authority behaves arbitrarily when it comes to determining tax liabilities was still present. This takes, for example, the form of a friend with a new small business being asked to pay LE2m, or a freelancer knowing that

---

<sup>132</sup> Interview with expert 10, 23 January 2014; Interview with taxpayer 28, 15 July 2015; Interview with group of tax collectors (incl. tax collector 3), 4 February 2014.

<sup>133</sup> Fjeldstad has also pointed out that expected oppressive behaviour by the public authorities was a reason for widespread distrust in South Africa, but it referred more to overly coercive and strict behaviour in enforcement, rather than a tax administration not believing the taxpayer and arbitrarily assessing the tax liability (Fjeldstad, 2004).

<sup>134</sup> Interview with taxpayer 41, 17 September 2015.

<sup>135</sup> Interview with former MoF official 1, 1 September 2015.

<sup>136</sup> Tamer Hafez, “Egypt walks fiscal tightrope with new taxes”, AmCham Business Monthly, August 2014.

the “tax administration often writes a big sum” in its assessment.<sup>137</sup> A restaurateur told me:

“I’m OK with it if [the state takes] a certain part, I pay for it, it goes to God, I did my duty. And so [if I had to] pay LE1,000 I’d do it right away, but they come and want LE30,000, because of the presumptive estimation. [...] That’s their mind-set, they make these things up.”<sup>138</sup>

Accountants and taxpayers often reported this kind of behaviour, citing “imaginary” or “made up” tax claims.<sup>139</sup>

In addition, entrepreneurs I interviewed still feared that in future years, the tax authority would not collect taxes according to the tax return or the actual situation of the business, but instead would collect the sum of the previous year +X% (typically 10%). Even ETA officials<sup>140</sup> and current civil servants acknowledged that people know that

“if they register it will get worse every year. Because what happens when you register is not that they will tax you depending on your business situation, but you will have a tax of LE10 one year, then LE15 the next year and so on.”<sup>141</sup>

The unregistered therefore do not count on being treated fairly according to their concrete fiscal situation if they register and comply with the law, but assume that they will be trapped in an arbitrary system that will cause them trouble. This adds to the general perception that as a taxpaying business they will also be economically worse off because they will have to contribute money to the public coffers that they otherwise would not have parted with, and to the potential effort they would have to spend on declaring and paying their taxes.

The conflict between taxpayers and tax administration is also one over access to information that would allow a more objective assessment of the tax liability. Taxpayers often have books, but they may not be detailed enough so as to be beneficial. Of course, more generally the taxpayer will not have much interest in revealing real business information if she or he believes that it will in all likelihood lead to a higher assessment than if it were determined in other

---

<sup>137</sup> Interview with taxpayer 5, 19 May 2014.

<sup>138</sup> Interview with taxpayer 42, 17 September 2015.

<sup>139</sup> Interview with accountant 1, 29 January 2014; Interview with taxpayer 27, 15 July 2015.

<sup>140</sup> Interview with tax official 2, 29 September 2015.

<sup>141</sup> Interview with municipal license worker 22 January 2016.

ways (for example via presumptive taxation and negotiation/appeal procedures). So the fear is that the tax collector might wrongly interpret the books of the taxpayer or that he may simply not believe them to be accurate. This fear is reinforced by the view that some taxpayers consider tax workers not to have the right expertise in their particular line of business to make the right judgments.<sup>142</sup> In the neighbourhood of Tora in South Cairo, I spoke to a restaurant owner whose business was not registered. He had, just a few days before, been visited by a tax collector who had come to inspect the place and looked into the restaurant from outside. However, he only took notes and did not speak to the taxpayer, which angered the latter as the tax collector left before he could speak to the civil servant. Quite upset about this visit, he was very passionate in his account. On the issue of sharing information with the tax administration, he told me:

“I do have books for me, but they don’t look at them. I don’t have a problem with him sitting down with me here; but sitting down with me here, not him coming in the shop [and just looking], [that] no! He should deal with me and I show [him] how much things cost and how things work.”<sup>143</sup>

In principle, he would be willing to share information with the tax collector – but under his terms and only according to his interpretation. The suspicion that a potentially intrusive, arbitrary, and/or incompetent tax collector may pay him a visit and be in charge of collecting taxes from him, is a risk great enough that he remains cautious and protective of all business information. A former banker who dealt with corporate clients explained that in banking it was not unusual to deal with entrepreneurs who are extremely reluctant to reveal any information about their business during loan applications. He also argued that it is commonplace for many businesses to keep two sets of books; one for the business, and another – inaccurate one – for the tax authority.<sup>144</sup>

These fears of unfair and predatory behaviour, in particular among the more marginal sectors of society, echo what Diane Singerman observed and described with respect to tax collection in the 1980s and can as I showed in

---

<sup>142</sup> Interview with taxpayer 11, 22 April 2015; Interview with taxpayer 42, 17 September 2015.

<sup>143</sup> Interview with taxpayer 42, 17 September 2015.

<sup>144</sup> Interview with taxpayer 7, 23 July 2014.





However, this is a somewhat simplistic reading of what actually happened. Taxpayers I interviewed were very much split over whether things had changed in terms of their dealings with the tax administration in the wake of the income tax reform or even of the revolution. As I mentioned in the previous sub-section, some believe that the situation had improved, and that dealings were now more evidence- and document-based than they used to be. But for others, presumptive taxation, yearly increasing tax liabilities, and negotiations over the final sum to pay had never disappeared.<sup>149</sup>

There are of course also clear incentives for tax collectors to block the move from a system in which tax collectors reject taxpayer documentation and keep arbitrary discretionary powers to one which is more orderly, less discretionary and in which tax collectors are largely told to accept the tax return and proceed. Strong overestimations of tax liabilities or other types of arbitrary behaviour create situations in which the tax liability is negotiated – and possibly with bribes. The minister of finance for example was convinced that the tax administration’s interest in continuing practices such as presumptive taxation was motivated by corruption.<sup>150</sup>

I acknowledge that the willingness to protect opportunities for corruption very likely plays an important role in explaining the persistence of certain tax collection practices. But I argue we should also consider that street-level tax collectors may also not “buy in” to unilateral trust-building measures because they feel that given the widespread levels of dishonesty and evasion, this would mean that the state gets “ripped off”. Their knowledge of street-level tax collection, their experience in dealing with the taxpayers fuels their rejection of such top-down measures as taking the tax return at face value. In effect, they believe that their superiors are detached from reality and that the policy move was a mistake. A sales tax collector from one of the Canal cities argued:

---

<sup>149</sup> Interview with taxpayer 1, January 2014; Interview with taxpayer 2, 6 March 2014; Interview with taxpayer 8, 22 September 2014; Interview with taxpayer 12, 22 April 2015; Interview with taxpayer 17, 20 May 2015; Interview with taxpayer 21, 24 June 2015; Interview with taxpayer 35, 10 August 2015.

<sup>150</sup> Interview with Youssef Boutros Ghali, 1 March 2017.

“[The reform] was based on the premise that the taxpayer files the tax return. That premise turned out to be wrong. Why? There is no culture with the taxpayer of telling the truth on his return.”<sup>151</sup>

A collector from a Cairo corporate tax office said:

If he doesn't have any books or documentation then what am I supposed to do? I do it presumptively. I mean a place that makes a million pounds and the guy says to me sorry I don't have books, then how am I supposed to believe him? [...] It's a trust issue, he doesn't trust me and I don't trust him. It's a trust issue, there is still no trust in the tax relations in Egypt.<sup>152</sup>

While in theory they may therefore find the idea of a trust-based tax relations appealing, in practice they don't trust taxpayers from whom they witness what they believe to be insincerity. Another sales tax department employee, this time from Cairo, for example said:

“The issue of tax honesty between me and the taxpayer is a good thing and a ... wrong thing. Good thing because I want there to be trust in our dealings... But myself personally, I don't give this trust to the taxpayer. [...] If we went after every company or every commercial shop in their sales, the collection would increase every month three times. Three times! A company comes and tells you, this month I sold for only 50k [...], but in actual reality, in actual reality he sold for 2m, at least!”<sup>153</sup>

Such negative perceptions of the taxpayers are extremely widespread, as this other quote by a former mid-level manager of a Cairo tax office shows:

“If I give you copies from all the tax returns, it's all losses. The doctors or the engineers, losses, or a very small profit. It's all lies! Lies!”<sup>154</sup>

From their perspective, the necessities and realities of Egyptian tax society dictate that some form of auditing and inspection power still rests with the tax collector so as not to make a complete mockery out of the system.

Now one could of course argue that these statements are merely a cover for corrupt activities, and that only the aforementioned willingness to retain discretionary powers for corrupt dealings drives the rejection of the

---

<sup>151</sup> Interview with tax collector 15, 29 September 2015.

<sup>152</sup> Interview with tax collector 12, 10 July 2015.

<sup>153</sup> Interview with tax collector 2, 10 July 2015.

<sup>154</sup> Interview with tax collector 13, 26 August 2015.

reform measures. However, beyond the fact that the outrage of the tax collectors I spoke to seemed genuine, there are other indications due to which we should not easily dismiss the importance that tax collectors attach to the idea that the tax administration should collect what tax officials and other people in the field have often referred to as “the right of the state” (*haqq el dawla*). For example, the sales tax department, which is reputed to be less corrupt than the income tax department, tax collectors felt the same. The tax office in one of the Canal cities where I interviewed a number of tax collectors, including one cited above, is also known to be particularly well-run and professional. In other words, across the board views on this topic were quite similar independently of the presumed or estimated level of corruption among the staff, indicating that corruption is not the sole determining factor.

The findings testify to the significant weight of the “sticky norms problem”, which describes instances in which agents tasked with enforcement do not enforce a new official norm that conflicts with an existing and powerful social one (Kahan, 2000). Kahan writes that “if the law condemns the conduct substantially more than does the typical decisionmaker, the decisionmaker's personal aversion to condemning too severely will dominate her inclination to enforce the law, and she will balk” and “her reluctance to enforce, moreover, will strengthen the resistance of other decisionmakers” (Kahan, 2000, p. 608). But the lacks of trust among taxpayers and tax collectors are not the only norms resulting in poor collection outcomes.

### **3. Enforcing the law in the areas of taxpayer registration and anti-evasion**

As I explained further above, the “carrot and stick” approach of the reform was supposed to bring about tougher enforcement of sanctions and penalties against taxpayers who still did not comply with the new laws. But here too, the results have been rather limited, perhaps even more so than with the attempt to build trust among taxpayers. When fines are not imposed for filing or bookkeeping requirements, when failing to register with the tax authority is met with leniency, and when the administration makes little effort to register new taxpayers, this is commonly explained in different ways. Some

claim that the state lacks the administrative capacity to enforce the law. Others contend that tax collectors act in a purely rational way, either to extract bribes or by otherwise maximising their professional utility (e.g. meeting performance targets, etc.).

In this section, I instead show what role normative dimensions can play in the enforcement of tax laws. I find that, based on their social position, certain small entrepreneurs expect the state to largely leave them alone and conversely some tax collectors do not consider non-compliance by such categories of the population as serious enough to warrant the strict enforcement of the law. Furthermore, on the tax administration side, we need to take into consideration that for some ETA employees, their middle class, white-collar self-perceptions may be in strong conflict with the working realities of their jobs. The moral economy of public employment means that workers view some tasks, such as working in neighbourhoods they consider disreputable or unsafe, as incompatible with what they believe the job of an Egyptian tax official should be.

#### **a. A moral economy of small entrepreneurship**

Among the small-scale, self-employed economic actors I interviewed, some of whom were unregistered or in some other way non-compliant, several shared the view that the age, size, and success of a business should factor into the decision of whether or not it should be taxed. Several of the smaller, more precarious taxpayers expected to be left alone or considered themselves in the right when not registering with the tax authority. They felt that because their business was small and still unstable, they were justified in not complying. One entrepreneur explained:

“If you’re a big company? [...] No if I’m a big company I comply with the taxes, I comply with the law. In general I would comply with the law if I had a big company. Because then you don’t need... the company is there, it’s working,..., except if it doesn’t work...”<sup>155</sup>

---

<sup>155</sup> Interview with taxpayer 33, 3 August 2015.

A freelance teacher, who was thinking about opening a private school with a friend, argued in much the same way, stating that if they did so, she would feel a greater obligation to do things according to the law, whereas in her current state as an informal freelancer she did not show any remorse for not declaring her income.<sup>156</sup> In a similar fashion, a barber in the middle class/upper middle class Cairo district of Dokki, who had only recently opened his own parlour, explained to me that he expected and hoped for leniency from the government, based on his still very precarious economic situation:

“No, this is not registered, [...] I'm still trying to earn a living here. Thank God they haven't come yet, I am afraid they will come, hopefully they won't come now, I'm still struggling with my business to make enough money, I hope they won't come.”<sup>157</sup>

In Bashtil, considered to be a more informal neighbourhood and where many people were not registered, the latter explained that only older, larger, and more established businesses were actually involved in taxation, implicitly arguing that for the micro- and small enterprises different rules applied.<sup>158</sup>

These views are held not only by entrepreneurs, but are part of societal understandings of what acts, and by which people, are deemed punishable. Moral economies of tax evasion exist and affect how tax collectors may deal with unregistered actors.

To be sure, this again does not explain everything. Keeping people in a state of illegality could mean keeping the pool of potential people from whom one can extort bribes large enough. And indeed a municipal license worker I interviewed thought this could be the case.<sup>159</sup> Showing leniency to taxpayers, and not punishing their “off the grid”-evasion, can also follow a strategic collection rationale. This may include hoping to collect some revenue from taxpayers in the mid- to long term instead of endangering the viability of the business, or, in a similar fashion, recognising that strict punishment would only help collect taxes the taxpayer may have difficulties paying. One RETA tax collector, for instance, told me that if tax collectors

---

<sup>156</sup> Interview with taxpayer 5, 19 May 2014.

<sup>157</sup> Interview with taxpayer 4, 18 May 2014.

<sup>158</sup> Interview with taxpayer 35, 10 August 2015; Interview with taxpayer 37, 10 August 2015; Interview with taxpayer 38, 10 August 2015.

<sup>159</sup> Interview with municipal licensing worker, 22 January 2016;

know that people will not be able to pay, they would not go see that taxpayer.<sup>160</sup>

But the strategic and the moral economy logics are difficult to disentangle and they are likely to be active at the same time, as this quote from an interview with a group of sales tax collectors in a mid-sized Egyptian city shows. To my question about whether somebody who was operating a business illegally was considered a tax evader, one of them told me:

“No [making a face like that would be exaggerated], they don't want to be too harsh, that's not considered tax evasion. They don't want to choke or scare people, usually they will just say OK, come on then now you register and there is no penalty.”<sup>161</sup>

In other words, agents of the state are being deliberately lenient in the face of behaviour that is illicit from a purely legal point of view. The dominant view that the offense is not severe enough to warrant the stricter sanctions that the law actually provides, from fines to imprisonment. Again, we have a situation in which there is a too widespread discrepancy between the gravity of the violation according to dominant social norms and the legal rule (Kahan, 2000, p. 608). I argue that this leniency is, at least in parts, a consequence of the realisation on the side of the tax collectors that the original promise of the Nasserist social contract is not being upheld, and that very small businesses struggling to earn a legitimate living do not need to be harshly punished (though they should still be brought into the tax net).

Further evidence corroborates this. Two tax collectors I spoke to regarding the fact that many ordinary Egyptians seem to evade taxes emphasised, for instance, that there is “the law and the spirit of the law”, and further argued that “this is not the Quran or the Gospel, these are man-made laws, we made them.”<sup>162</sup> In other words, tax collection practices should always keep in mind the situation of the taxpayers. In some instances, the leniency is further reinforced by the fact that tax collectors already consider some measures taken – even if they are not actually penalties – to be punishments. Presumptive estimation, for instance, was seen as a

---

<sup>160</sup> Interview with tax collector 3, 22 February 2014.

<sup>161</sup> Interview with group of tax collectors (incl. tax collector 3), 4 February 2014.

<sup>162</sup> Interview with tax collectors 7 and 8, Spring 2014.

“punishment” in the absence of actually sanctioning people for not keeping proper books or filing correct tax returns.<sup>163</sup>

But again, a crucial element of the leniency towards some micro-enterprises and informal actors is the view that the state has a certain duty to care for people and allow them to make a living. A municipal licensing worker told me:

“And yes, they want to change it [i.e. the situation with having lots of actors operating without registration] but the thing is you always have to consider that all people should benefit from the situation. If you take their space away then you need to provide people with some alternative, like when you remove vendors downtown or something you need to set up an alternative spot where people can work, so that everybody is satisfied.”<sup>164</sup>

This idea of a moral responsibility of the state to provide for its citizens is understood to constitute a serious constraint on government action. This means that people share norms that the state has a duty to provide for them and cannot blindly enforce laws if this meant that it hurts the livelihood of ordinary people. W. J. Dorman, in his work on the state’s tolerance of illegal building activities, makes similar claims when he argues that in “Egyptian public discourse” the claim of a “state [that] must house those without shelter” persists (Dorman, 2007, p. 78). Such legacies go beyond mere discourse and the courts have historically decided in favour of homesteaders and affirmed informal actors’ rights to alternative shelter in cases of evictions and demolitions (Dorman, 2007).

The view that small entrepreneurs should be treated differently or should not be strictly forced to contribute significant amounts of their revenue in taxes is also fuelled by the perceived non-fulfilment of expectations with respect to the delivery of public services. As I explained in the literature review, research has shown that the idea of a “fiscal contract” around the provision of public goods holds true empirically, and that its nature can vary from country to country. Given that the expectations in Egypt are arguably particularly high, this factor plausibly contributes to the overall poor performance of Egyptian taxation. Historical legacies of expectations of free

---

<sup>163</sup> Interview with taxpayer 12, 19 August 2015.

<sup>164</sup> Interview with municipal licensing worker, 22 January 2016.

healthcare, free education, and decent infrastructure are still prevalent. The reality, of course, is significantly different, and is something that both taxpayers and tax collectors alike are very aware of.

One manager of a shop in a more informal South Cairo neighbourhood explained:

“Why do you pay abroad? So that it goes into streets, hospitals, etc. but [here in Egypt] it goes into their pocket. An investment or infrastructure project of LE20m, LE10m goes into their pockets, that’s official and known. If a governor or a minister or anybody important had to drive through here or live here they would put flowers here, there would be electricity all the time. Somebody needs to live here for that?”<sup>165</sup>

A freelance teacher who does not pay income taxes, argued:

“[People don’t want taxes] because there is no equality in this country. There is no equality. If I go to the hospital and I find a good hospital, if I learn in a good school, if I have good bread, [...] I think that I want to pay taxes. Because taxes take the money to bring me a good school, a good hospital and bread. But that doesn't happen.”<sup>166</sup>

The lack of equality she mentioned is also a common point of contention and another reflection of the Nasser era’s populist legacy. Taxpayers I spoke to felt that the wealthy were getting away with much bigger crimes.<sup>167</sup> A small barber in downtown Cairo said:

“And I would say 90% of the small businesses like me pay everything and fully comply. We can’t do anything. Those at the top, they have millions, they can fight the administration in disputes, have money to bribe, can evade taxes. This is where the real problem in this country is.”<sup>168</sup>

As a matter of fact, even some tax collectors agreed that the wealthiest were getting away with too much.<sup>169</sup> A Cairo sales tax collector, for instance, told me:

“The businesspeople and investors. In Egypt: they don’t pay taxes. Really. [...] The investor [...] is taking cheap lands from the state, he is

---

<sup>165</sup> Interview with taxpayer 43, 22 September 2015.

<sup>166</sup> Interview with taxpayer 5, 19 May 2014.

<sup>167</sup> Interview with taxpayer 9, 21 April 2015; Interview with taxpayer 42, 17 September 2015; Informal conversation in Waily neighbourhood, North Cairo, 19 May 2015.

<sup>168</sup> Interview with taxpayer 9, 21 April 2015.

<sup>169</sup> Interview with tax collector 13, 26 August 2015; Interview with tax collector 2, 10 July 2014.



taking energy subsidies, he is taking a [low] tax rate, [and he has] accountants who help him evade taxes too. So for all the advantages the investor gets, he is evading. [...] You get labour for a cheap price. [...] The salaries can be low, [but] then [as an investor I] build you a home for which you don't pay money, I give you health insurance for which you don't pay any money, I'll give you schools for your kids, then [the workers will] live on the [LE] 1,500. [...] So your investor takes all these things and at the same time the product which makes it to the market is more expensive than the world price, and so in the end does he really pay tax? Empty words! No, in that case [it's better to] take 60% from him."<sup>170</sup>

Both taxpayers and tax collectors therefore share, to a certain extent, views and norms of what the state (or even large businesses as in the case of the tax collector above) should provide. This applies also to the kind of strongly redistributive and pro-poor stance that the state should take. This all reflects the weight of Nasserist norms of what the state should provide and how it should treat ordinary vs. large taxpayers.

Of course, in my case as in Dorman's, real Nasserist legacies tend to be entangled with political/security concerns of government officials, to which I shall return in Chapter 5. The Egyptian government historically fears popular uprisings based on social discontent. Whether these macro-political regime concerns reverberate down to the lowest of levels of the bureaucracy, whether they are perhaps internalised at the micro-level, or whether individual concerns and behaviours of ordinary collectors affect the ability of mid- and upper-levels to act, are important questions. However, they are also difficult to answer. At the micro-level of ordinary tax collectors, I did not come across any explicit narrative of ensuring the stability of the regime by not enforcing tax collection properly. Instead, we can encounter such mechanisms by examining the decisions of mid- and upper-level managers not to order measures that could backfire by drawing unwanted negative attention from their superiors, which are discussed in the following chapter.

## **b. Moral economies of civil service employment**

---

<sup>170</sup> Interview with tax collector 2, 10 July 2014.

Perhaps an important aspect that was largely overlooked so far in the literature is that tax collectors' work morale and willingness to do certain jobs will be significantly influenced by the expectations employees have of the duties of the state towards them, their self-perception in terms of social status, and their views of other sectors of society. Joshi and Ayee briefly pointed out that work incentives can play a role when they write that field inspections of informal actors are viewed as lacking a professional image and being relatively unhelpful for one's future career (Joshi and Ayee, 2008, p. 190). But I again believe that it is important to explore these perceptions in greater depth and also to consider relative expectations in terms of what collectors want from the state and of how they perceive their social and professional status.

A job for the tax administration confers is generally well-regarded and well-paid in comparison with other Egyptian civil service jobs but within authorities and departments there were and to a certain extent still are also considerable differences in terms of pay, prestige, professional outlook and dominant types of tasks. The staff of the ETA is composed of a higher percentage of office workers while the RETA has a much larger surveying and field collection staff. This is related to the fact that the ETA requires greater knowledge in terms of accounting, economics, and law in order to be able to calculate and determine taxable income and tax it according to the law once or several times a year. The RETA on the other hand, once the value of property has been set for a period of several years, needs mainly to focus on collecting the money regularly and keeping property registers up to date. In addition, historically local RETA offices were institutionally affiliated with the chronically underfunded municipalities and not with the Ministry of Finance, and their staff therefore paid much less than ETA employees, although they managed to achieve parity through a powerful social movement in 2007-2008.<sup>171</sup> But by and large, these historic differences mean that RETA staff tend to hail from a more mixed lower to middle class background in comparison to the more middle-class ETA employees.

---

<sup>171</sup> As I explained in Chapter 2, the movement led to the first establishment of an independent labour union since the 1950s and is widely considered to be a milestone on the way to the 2011 uprising. See amongst other works (Beinin, 2009; Bishara, 2015; Lachapelle, 2012).

But within the ETA there were and are similar differences in terms of pay, professional reputations and “organisational culture”. A number of interviews have called the income tax department more “old-style” and “bureaucratic” in its functioning, with staff being less open for innovations both in terms of management techniques and the use of information technology in comparison to the younger, more “modern” sales tax department.<sup>172</sup> But the income tax department staff is also said to perceive itself as more familiar with the ins and outs of taxation relative to the sales tax staff that manages a largely self-enforcing tax.<sup>173</sup> Moreover, sales tax collectors have historically been better paid than the general tax authority employees, but here too pay has been harmonised via upward adjustments.

In general however, all tax authorities and departments have field staff who work in the street and visit offices, factories, shops and properties. I found that while a real estate tax collector who worked in the field felt quite confident about his, and his administration’s, abilities to work everywhere, among most ETA staff I spoke to, including some who work at the street-level, very negative perceptions of certain neighbourhoods were dominant. They considered them unsafe, hostile, and potentially dangerous. Some of these views are likely to come from “common wisdom” or societal stereotypes; others are anchored in work stories that colleagues tell each other. Whether these stories are always founded in reality or are perhaps sometimes exaggerated is difficult to establish. But what matters is that they seem to be widely shared. Indeed, stories like the following, recalled by a Cairo corporate tax worker, are common:

“There are places I can’t go, you know some places like... [...] let me give you an example, this happened even before the revolution. A friend of mine went to Gamaleyya, a normal street with shops and there he went to a butcher. He came in and introduced himself, ‘I’m so and so from the tax authority I’m here to get some information’, and they said ok, welcome, but then they shut the door and started beating him. Do you think that I want to go to a place like this again?”<sup>174</sup>

---

<sup>172</sup> Interview with former member of the people’s assembly’s budget and planning committee, May 2010; Interview with former Ministry of Finance adviser, May 2010; Interview with tax collector 2, 10 July 2014; Interview with former Ministry of Finance official, 1 September 2015.

<sup>173</sup> Interview with former Ministry of Finance official, 1 September 2015.

<sup>174</sup> Interview with tax collector 12, 19 August 2015.

Gamaleyya,<sup>175</sup> a district in Cairo's old town where the famous Khan El Khalili bazar is located, is not even considered an "informal neighbourhood". It is fully within the legal (and even historic) borders of Cairo. Its houses are old and pre-date the more modern urban planning that shaped the rest of formal Cairo, but buildings were not the result of illegal encroachment on agricultural land. It is, however, like many of Cairo's oldest districts a rather lower middle-class neighbourhood. The example above shows that such perceptions of security, and of the likely quality of social interactions civil servants may have, affect a broader range of neighbourhoods than just the most remote and densely populated urban slums.

Similar remarks were also made about some rural areas where tax collectors suspected taxpayers to be less educated or less "modern". A former tax collector for an Upper Egyptian governorate explained for example:

"You go to a rural area in the country and farmers and some people, some uneducated people... You explain to them [that you are here to collect taxes] and people are not friendly with you. You know, you are a tax officer, you are coming to get money from them. You get my point? (laughs) Do you think people will be friendly with you? They will attack you. I'm serious."<sup>176</sup>

In a similar vein, two sales tax employees from Cairo argued:

"In parts of Egypt where you have big families, or clans or tribes, you are not going to go there, they have power, are influential, have weapons, etc."<sup>177</sup>

"Not everybody is nice and respectful, they might harass or verbally abuse you or shut the door behind you."<sup>178</sup>

Although this was not directly expressed by any tax collector in person, a taxpayer and the research assistant I sometimes worked with both thought that there were some areas that "the government" would not go to because of the tightknit social networks, which are closed to outsiders, that exist in certain neighbourhoods and villages. They considered certain formal "popular" neighbourhoods to be a potentially annoying field to work in, due to the occasional disputes that may occur, but still within the range of

---

<sup>175</sup> President el-Sisi grew up in this neighbourhood.

<sup>176</sup> Interview with tax collector 5, 8 July 2014.

<sup>177</sup> Interview with tax collector 1, 29 May 2014.

<sup>178</sup> Interview with tax collector 2, 29 May 2014.

“acceptable” destinations. However, smaller villages on the outskirts of Cairo, neighbourhoods caught in a “limbo” status between rurality and becoming an informal urban settlement with close ties to a large urban centre, and certain villages in Upper Egypt, all largely failed the test in their view:

“Taxpayer: The tax authority doesn’t go to a place like Kom El Samn or Aboul Gheit [two small villages North of Cairo, about 10 to 15km into the Delta] I won’t go to a place like that. If I open a poultry shop or something like that, they won’t come to me. And if they do they won’t find anybody willing or patient enough to give them what they want. And he’ll be afraid that I kill him and maybe I will kill him.

M: So the government is afraid? The employees are afraid to go there?

Not afraid. Where will he go? These are places they don’t go. The government doesn’t go to that area in the first place. But then a tax collector can go? A tax collector will go? There is a war in that place to begin with. He’ll enter it? If there is, for example, a shop, a big one, that opens in Aboul Gheit or Komm el Samm, [...] the tax authority will go there and see him?

Research assistant: He will be cut into pieces inside. He’ll come without two arms and without two legs. [...] Look, I’ll tell you something. These areas, it’s impossible for us to go in there. We can’t go and the tax collector can’t go. In order to get into these places, I need to know somebody inside. Me, [says his name] [even] I need to know somebody inside in order to go there. So it’s impossible that the tax collector enters it. You know what I mean? If he gets there he’ll be cut into pieces there.”<sup>179</sup>

But a real estate tax collector, though not confronted with this particular recording, rejected the idea that there would be places where at least the RETA would not go. He argued that due to the stronger field-orientation of this historic tax administration, and greater experience on the ground, RETA staff know no “no-go areas”:

They go everywhere, they go in the mountains, in the factories, in the informal areas, they go everywhere.<sup>180</sup>

And his experience of taxpayers was more balanced, too: “There are people who welcome you and people who say OK and there are people who hit you

---

<sup>179</sup> Interview with taxpayer 32, 29 July 2015.

<sup>180</sup> Interview with tax collector 3, 22 February 2014.

with the shoe. 'Don't take money from us'.<sup>181</sup> Nevertheless, given the overall quite negative views many tax collectors hold it is not surprising that field work is considered less prestigious, more troublesome, and not a particularly pleasant job to do. Thus, just as the sales tax collector above had asked "Do you think I want to go to a place like this again?", the former employee of the Upper Egyptian tax office asked "What is the point of going?"<sup>182</sup>

One could argue that this aversion to do certain jobs and in particular in certain areas is a product of the context of post-2011 Egypt. In the months after the military ousted Mohammed Morsi in July 2013, Egypt was indeed only slowly recovering from a marked rise of post-2011 lawlessness and crime, a consequence of the idleness of the state security apparatus and the collapse of the economy, above all in the tourism sector. And indeed, some of the interviewees also mentioned the poor security situation after the revolution, although this seemed to be more of an aggravating circumstance in an already problematic environment. One of the aforementioned sales tax collectors told me: "The people are afraid to go there. The security situation is not good, especially now. A female colleague of mine had the shop door locked behind her."<sup>183</sup> However, I found these attitudes to have extended well into el-Sisi's presidency, when public order was once again more strictly enforced. So while stories, and sometimes first-hand accounts, of unpleasant experiences, harassment or even violence are passed on among colleagues, I think it would not be unrealistic to also consider the images of certain neighbourhoods or villages as emanations and social constructs of urban middle class Egypt.

This is because this kind of work also clashes quite fundamentally with the expectations that many ETA workers seem to have of their job. The promise of the Nasserist bureaucracy, and in a certain way of the more contemporary ideal of a modernised bureaucracy adhering to Western management standards as well, was one of a decent, modern, white-collar job. As I shall explain in greater detail in the following chapter, these discrepancies between what one thinks a job at the ETA should be like, in

---

<sup>181</sup> Ibid.

<sup>182</sup> Interview with tax collector 5, 8 July 2014.

<sup>183</sup> Interview with tax collector 1, 29 May 2014.

particular given its somewhat superior reputation, and reality, are a great source of frustration.

Another case illustrating the clash between social contract and class-based expectations on the one hand and reality on the other was the 2015 ETA plans to move workers – mainly those specialising in liberal professions – from the more formal neighbourhood of Haram/Faisal, on the way to the Pyramids in Giza in the South West of Greater Cairo, to Omraniyya/Monib, a more informal area further South, close to the Ring Road. On television programmes covering the conflict between workers and the leadership, spokespeople argued that “the location is not safe, there is no transport except for the Tuk Tuk,<sup>184</sup> and garbage is spread around the new building”.<sup>185</sup> Others claimed that taxpayers and workers alike would be facing higher exposure to theft and other forms of criminality.<sup>186</sup> While they also complained that geographically it would distance themselves from where most of their taxpayers are concentrated, the central point of contention was clearly the move to a building and an area deemed unworthy of Egyptian civil servants. Eventually, the political and administrative leadership at the ETA and the MoF backtracked and cancelled the move.

Based on the apparently greater ease of RETA workers (who typically come from somewhat lower class backgrounds) to engage with people in these neighbourhoods, one could also speculate that RETA workers have less issues with engaging in field work in informal neighbourhoods and rural areas, at least if we take the word of one its employees for it.<sup>187</sup> The historical institutional paths the RETA and ETA took, and the different nature of the work of both administrations carry out, in all likelihood also factor into this

---

<sup>184</sup> The Tuk Tuk is an auto rickshaw which is widely used across Egypt. It is a cheap mode of transport, but inevitably associated in the public mind with more rural and informal areas (due to the reduced size and low fares, the vehicle is particular popular there). In 2015, the government banned it from the streets of central Cairo and generally takes an opposing stance to its presence in urban centres. The motivations behind the ban are not entirely clear, but I believe that the most plausible explanation is a certain image and self-understanding the governing elite has of how the Egyptian capital should look.

<sup>185</sup> “Protests of Haram and Faisal sales tax workers after decision to move to Monib”, published in Arabic on 25 November 2015, [http://www.masrawy.com/News/News\\_Egypt/details/2015/11/25/702190/العملين-احتجاج](http://www.masrawy.com/News/News_Egypt/details/2015/11/25/702190/العملين-احتجاج) للمنيب-نقل-فرار-بعد-والهرم-فيصل-مبيعات-ضرائب-بمأمورية

<sup>186</sup> “The Omraniyya tax office, again”, published in Arabic on 21 November 2015, <https://alwafd.org/essay/3464>

<sup>187</sup> Interview with tax collector 3, 22 February 2014.

difference. But one could also plausibly argue that – despite their prominent struggles for wage parity with their ETA colleagues<sup>188</sup> – RETA staff are, on the whole, less marked by middle class views of lower class or rural Egyptians, lowering their resistance to more tedious, lower prestige tasks. In Chapter 2, I showed how through the republican era recruitment policies and social relegation had already led to civil servants themselves being considered middle class. But I also quoted, for instance, Palmer *et al.*'s study which shows that even in the late 1980s, when the pauperisation of government employees was already well underway, many of them still viewed the people they were supposed to serve with disdain, and put much blame for the dysfunctionalities of the country on the uneducated users, and not the providers, of public services (Palmer *et al.*, 1988). In the socially very stratified and class-conscious Egyptian society, the refusal to carry out certain tasks could therefore also be interpreted as a historical legacy.

In other words, the reluctance to enforce the law, to venture into certain areas, to deal with certain people, is a combination of, on the one hand, actual difficulties and tensions, but on the other hand also of the views and attitudes of tax collectors. The latter take the shape of both stereotypes or expectations of how people of certain classes or geographic backgrounds will behave, as well as more or less pronounced feelings of entitlement to a white-collar, middle class office job.

## **Conclusion**

This chapter sought to shed light on what I argued to be understudied factors contributing to lax everyday tax collection at the micro-level. Drawing on an analysis of post-2005 efforts to build trust and enforce tax laws more effectively, I argued that the deep-seated legacy of distrust is difficult to address. At the interface-level, where trust-building is by tax collectors understood to mean being more “naïve” and foregoing potentially large streams of revenue for the state, resistance against such measures is high. At the same time, tough sanctions against the non-compliant were announced but in effect were very weakly implemented. Divergent norms of what is really

---

<sup>188</sup> See amongst others (Lachapelle, 2012) and (Bishara, 2015).



worthy of punishment contribute to this, as do moral economies of small entrepreneurship and civil service. As we shall see in Chapter 4 and in particular in Chapter 5, regime insecurity also plays a role, but rather in intra-state relations and at the level of the political and administrative leadership.

The chapter contributes to the literature in a number of ways. First of all, it describes a form of distrust not characterised simply by doubts over whether the government will provide services and enforce the rules on others, but also by expectations of unfair and arbitrary behaviour by the tax administration, now or at some point in the future. Another contribution lies in the empirical analysis of the micro-level obstacles to explicit attempts by the government to re-build trust. But perhaps most importantly, the literature has not yet considered the importance or relevance of tax collectors' lack of trust in taxpayers.

This chapter, and the dissertation more generally, also constitutes one of the first in-depth empirical enquiries into how moral economies shape tax outcomes. Its findings are in line with recent work conducted by Prichard and van den Boogard on the taxation of markets in North Ghana, and who also emphasise the importance of moral economies and of “collective norms” and “socially embedded realities” (Prichard and van den Boogaard, 2017). But in my case, I show moral economies not only to exist with respect to how taxpayers can be treated and whether the law can be applied to the letter, but furthermore that historically-built norms, expectations, and attitudes of tax collectors also shape what kind job they are actually willing to do. This somewhat echoes the findings by Joshi and Ayee on taxation in Ghana, where working as a tax collector among informal actors was considered to be a thankless task (Joshi *et al.*, 2014; Joshi and Ayee, 2008).<sup>189</sup> But my investigation was able to go into greater detail and showed how beyond career incentives we have to take into account the normative expectations that are largely shaped by historical social contracts and class dynamics.

---

<sup>189</sup> They write: “[...] for individual tax administrators, enforcing compliance among small operators is an unfulfilling task. It is poorly rewarded, offers few opportunities for large rent seeking, and is widely viewed as, at best, lacking prestige, or, at worst, degrading. In Ghana, educated tax collectors resented having to interact with illiterate, poor, and sometimes violent operators in the informal economy, a task they viewed as not being ‘professional’” (Joshi *et al.*, 2014, p. 1338).

This chapter thus finds that many of the factors and mechanisms shaping taxpayer behaviour are actually equally relevant among civil servants and within the state. The following chapter will come to a similar conclusion.

## Chapter 4: Tax collectors and intra-bureaucratic dynamics

### Introduction

In Chapter 2, I explained how taxation in Egypt was historically built on violence and coercion, resulting in high levels of distrust, and how at the same time different sets of moral economies with respect to the responsibilities of the state vis-à-vis its citizens and employees developed over time. The distrust and the broken promises of an over-promising but under-delivering state have fuelled non-compliance and weak enforcement as I showed in Chapter 3. This fourth chapter will now continue to shed light on the influence of this legacy, but focuses specifically on the inner workings of the state, in particular the role of ordinary tax collectors.

The effective application of tax laws requires an honest, motivated, co-operative, and disciplined workforce. When this is not the case, tax workers accept bribes, do their job poorly or not at all, do not identify with the organisation's goals and resist orders from above. The Egyptian tax administration, like many public administrations in the country does indeed struggle with corruption in various forms, absenteeism and idleness, as well as lack of co-operation and reform resistance. As I explained in the literature review, previous scholarship on taxation has not paid much attention to the inner workings of the tax administration. In particular, it largely disregarded the potential ways in which norms, expectations, and attitudes widespread among ordinary tax workers shape their work on an everyday basis and contribute to the emergence and/or persistence of the aforementioned bureaucratic problems.

In this chapter, I therefore try to address this by investigating the normative/ideational factors contributing to corruption,<sup>190</sup> absenteeism and low work effort, as well as low co-operation and reform resistance. To this

---

<sup>190</sup> When tax collectors discussed various kinds of wrongdoing such as corruption, or absenteeism and idleness in the tax administration, they largely viewed and explained these phenomena in three broader ways. First, as an expression of personal moral and character deficiencies that are simply part of human nature. Second, as a result of a larger environment of lax sanctions and a leadership that is itself corrupt. Third, as an understandable and non-stigmatised reaction of tax authority personnel to the violation of their socio-economic rights and the disrespect of widely shared principles of social justice. I shall in this chapter focus on the latter two perspectives.

end, I relied mainly on ethnographic data collected among low-level tax collectors, consisting of interviews, observations, and informal conversations that largely took place in spaces where tax collectors socialise (cafés) as well as their workplaces, complemented by online video and press material. I further draw on interviews with mid- or high-level tax and ministry of finance officials, and press reports.

I argue that the ineffectiveness of disciplining measures is on the one hand driven by regime insecurity and a related bureaucratic culture prioritising the avoidance of internal conflict, but on the other hand I also show how a “moral economy of bonuses” has amongst other things contributed to the hollowing-out of reward and sanctioning mechanisms. Moreover, I make the case that broken material and immaterial expectations with regard to what the job as a tax collector should entail has also encouraged weak and uneven work effort, corruption and resistance to change. Finally, I shed light on the distrust between administrative leadership and interface-level collectors, and the perceptions of unfair marginalisation of these younger, more junior elements with respect to decision-making within the tax administration.

The chapter builds largely on the pioneering work by Bierschenk and Olivier de Sardan whose micro-level, empirical, and ethnographic approach of studying “states at work” encouraged scholars to focus on the study of civil servants in their regular working environment (Bierschenk and Olivier de Sardan, 2014a). By adopting this approach in the context of political science, I am also able to put some empirical flesh on the quite abstract discussions on what Migdal called the “state personnel in the trenches”, in other words the interface-level civil servants who interact with the citizenry on an everyday basis (Migdal, 2001, p. 118). More concretely – and this is why this chapter constitutes also a contribution to the literature on taxation in developing countries – I show how historically shaped such as norms, expectations, feelings of entitlement to certain rights of ordinary tax collectors matter for our understanding of many common “administrative problems” that often result in ineffective tax collection. This normative-ideational dimension of “low state capacity”, as it is often dubbed in the literature, has thus far been largely neglected.

I will begin by discussing how the reward and sanctioning mechanisms that could address some of the bureaucratic “pathologies” mentioned further above have been hollowed out by regime insecurity and the “moral economy of bonuses”. Then, I shall investigate how broken moral economies among civil servants more directly contribute to the persistence and legitimation of corruption and low work effort. I finally conclude by showing how distrust and again disappointed expectations of participation in decision-making lead to reform resistance and low intra-bureaucratic co-operation.

## **1. The hollowing-out of reward and sanctioning mechanisms**

A key problem, as raised by a number of tax collectors I spoke to and other who have come forward publicly, is that wrongdoing is not sufficiently punished. They have little faith in any sanction or reward mechanisms and they usually know that should they break official rules and regulations, it is very unlikely that something will happen to them.<sup>191</sup>

### **a. The dominance of norms of administrative leniency**

A prominent example is the uneven work effort one often encounters in the Egyptian bureaucracy. A number of scholars working on Egypt have mainly described, in quite some detail, the problems of absenteeism, idleness and low work morale (Abdel-Basset, 2009; Ayubi, 1980; Palmer *et al.*, 1988; Waterbury, 1976). In other developing countries, similar problems are reported (Bierschenk and Olivier de Sardan, 2014a; Chaudhury *et al.*, 2006; Dieleman *et al.*, 2006; Olivier de Sardan and Ridde, 2015). In the tax administration, the problem seems to be deeply rooted as well. A street-level auditor in the sales tax authority explained, for instance:

“Let me tell you the problems of work. Our tax collectors... and the tax collectors I mean, those of audit, of surveying and of collection, who are the economic basis of the tax administration. Their number at the level of the entire [sales] tax administration does not exceed 4,000 employees. Out of 22,000 employees. I have another 8,000 who support them and do administrative work with operations, legal affairs,

---

<sup>191</sup> Interview with tax collectors 1 and 2, 10 July 2014; tax collector 3, 22 February 2014.

etc. Everybody that works, in the entire entity amounts to 12,000, and 10,000 is disguised unemployment.”<sup>192</sup>

In other words, he estimates that roughly 45% of sales tax staff are people who don't really work, typically either by not having much to do, not bothering to do actual work, or not showing up at all. Other experts, such as a consultant of the USAID technical assistance project which accompanied tax reform in Egypt for several years and a former adviser to the MoF, also estimated that somewhere between one third and two thirds of employees may actually be superfluous.<sup>193</sup> And indeed, during my own visits to tax offices I have several times come across large open space offices where employees were sitting at their empty desks, without doing any visible work, or chatting with fellow colleagues.

This state of affairs cannot easily be explained with a lack of means to monitor what employees are doing, as principal-agent theory would for instance have us believe. If the situation is obvious for a foreign researcher who briefly visits a workplace, how much more obvious must it be for those working in or even managing these offices? Legally, there are mechanisms through which employees could be disciplined but these are not being used, or only in their mildest form (“There are no penalties for people who don't work.”<sup>194</sup>; “When somebody wants to work he works, but you can also not work all year and in the end all you get is a 7-day salary penalty”<sup>195</sup>).

Another case in point is corruption, which is by all accounts gathered during my fieldwork endemic in tax relations. To be sure, detecting corruption is much more difficult. Control mechanisms, laws and organisations whose purpose is the fight against corruption are by no means non-existent,<sup>196</sup> but legislative frameworks, the resourcing of anti-corruption agencies, and the

---

<sup>192</sup> Interview with tax collector 2, 10 July 2014.

<sup>193</sup> Interview with consultant 1, May 2010.

<sup>194</sup> Interview with tax collector 2, 10 July 2014.

<sup>195</sup> Interview with tax collector 3, 22 February 2014.

<sup>196</sup> Superiors are generally supposed to report cases of corruption if brought to them by employees, and if employees suspect superiors, there are agencies tasked with investigating corruption in the public administration. The Administrative Control Authority, affiliated to the Prime Minister's office, has a for instance a mandate to receive complaints and detect corruption (Fayed, 2017, p. 517). Furthermore, there is also the Administrative Prosecution Authority which is legally competent to investigate, and if necessary criminally pursue, certain offences, including corruption (Fayed, 2017, p. 517). The Central Auditing Organisation, which answers directly to the president, is responsible for auditing all government institutions, and to report government waste, misappropriation of funds, corruption, etc.

incentives of the staff working there<sup>197</sup> are still imperfect (Fayed, 2017). But I believe it is quite likely that the core of the problem does not lie here.<sup>198</sup> As is often the case in Egypt, and as I try to a certain extent to argue throughout this thesis, existing state capacities are not being used. Even when cases are detected, the sanctions are not consistently enforced. For instance, it regularly happens (and has so historically), that state employees who have accepted bribes or embezzled funds are not punished at all and things are “swept under the rug” (and perhaps those who uncovered the corruption attacked instead), or the employee is merely transferred to another post, or simply required to pay back any financial gains obtained through the transaction.<sup>199</sup> This is of course much more common when mid- to high-level officials are involved. Occasionally, there are cases reported in the newspapers of lower-level tax collectors being arrested and charged with bribery offenses but the real consequences are often opaque. There is for example little available information on tax collectors having actually been convicted for corruption offences.

By and large, one can argue that there exists a form of intra-administrative leniency that is, as I shall show throughout this chapter applies to most cases of non-compliance with official bureaucratic norms. There seems to be a “practical norm” at work (Olivier de Sardan, 2008).<sup>200</sup> Jean-Pierre Olivier de Sardan – writing about sub-Saharan Africa – perhaps for

---

<sup>197</sup> Fayed for instance points to the fact that staff often has greater financial incentives to focus on larger corruption cases rather than on petty corruption (Fayed, 2017, p. 516).

<sup>198</sup> Fayed also cites the negative impact of “political pressures” (Fayed, 2017, p. 516).

<sup>199</sup> Nothing came out of the different cases publicised by tax authority employees online and on TV, some of which I mention further below. Other documented cases, such as one involving high-level officials revealed by the news portal Arab21 also stayed without consequences (<https://arabi21.com/story/998110/مصر-خافي-حزرايب-مصر>). I was even informed by a tax worker that one of the workers who came forward on TV was reprimanded and a week of his salary was withheld. Another one I spoke to was let go after repeatedly pointing out corruption internally. As I also mention again below, Ayubi writes that in the 1970s paying back embezzled money was enough to escape punishment (Ayubi, 1991, p. 71). Recently, a number of famous and wealthy businesspeople accused of wrongdoing in the wake of the 2011 uprising were able to settle their situation without jail time by paying large sums of money to the state. The most famous case being that of Hussein Salem, who agreed to pay LE5.3bn for corruption charges related to gas dealings in the Mubarak-era to be dropped (<http://english.ahram.org.eg/NewsContent/1/64/275831/Egypt/Politics-/Mubarakera-tycoon-Hussein-Salem-acquitted-of-money.aspx>).

<sup>200</sup> Practical norms are norms that are neither official norms (laws, rules, regulations) nor social norms (cultural norms, conventions) but describe the divergence between official norms and the reality of concrete practice in everyday life, i.e. between what should happen if the official rules were followed and what happens in reality.

lack of a better expression called this practical norm “sanctioning is inappropriate”:

“In all the state services we have researched into in West Africa, the official regulations provide an entire battery of penalties for professional misconduct, ranging from a verbal warning to dismissal or to appearing before a disciplinary board. These official norms mostly replicate the French management practices and employment laws of the 1960s. All public servants know they exist. Yet they are virtually never applied. All service heads complain about this, but most of the time none of them manage to discipline an offending subordinate. Colleagues argue that a sanction is cruel, would lead to too many complications, would be counter-productive or ineffective, would serve no useful purpose etc. Such a situation is only comprehensible when a widely operating practical norm exists: sanctioning is inappropriate! From hospitals to water and woodland services, from town halls to regional schools inspectorates, the practice is not hard to spot.” (Olivier de Sardan, 2014, p. 408)

In Egypt too, the fact that corruption, idleness or absenteeism go largely unpunished in other parts of the state apparatus indicates that this norm against internal disciplining is dominant beyond the tax administration.

To this assessment, I would also add the auxiliary aspect, or perhaps a consequence of it, that is the practical norm of “reconciliation” that is also pervasive in many aspects of Egyptian state-society relations. Perhaps an unusual choice of word, it is a translation of the term *tasaluh*, which also means settlement and has the word *sulh* (peace, reconciliation) as its root. It is commonly used in Egypt to refer to an institutionalised (either formal/legal or informal) process by which a wrong is being corrected through some form of dialogue and compromise. There are numerous examples of this in the field of taxation (permanent amnesties, the simple payment of tax debts, etc.), corruption and illegal gains (the current government passed a law allowing former Mubarak cronies to pay back funds they were accused of having acquired illegally), and even criminal law (in cases of sectarian violence in Upper Egypt the state often relies on reconciliation and arbitration sessions).<sup>201</sup> In other words, the logics of “reconciliation” denote a tendency

---

<sup>201</sup> Leaders of local Coptic communities have spoken out against these practices and have instead demanded the full enforcement of Egyptian criminal law, arguing that reconciliation and mediation sessions only lead to lenient punishment of perpetrators of violence, or even none at all (see for example <https://dailynewsegypt.com/2016/07/24/denial-customary-reconciliation-cover-sectarian-strife-upper-egypt/> and



to resort to palliative or conciliatory measures instead of punitive ones as a reaction to deviant behaviour. Together with the practical norm of “sanctioning is inappropriate” one could say that they form a complex of “administrative leniency” that permeates many of the intra-state and state-society relations. How can we explain this leniency, in particular if we consider the ruthlessness of the Egyptian state in other realms of state-society relations (e.g. repression of dissent)?

#### **b. Regime insecurity as a driver of intra-bureaucratic leniency**

Thomas Bierschenk, writing about francophone West Africa, argues that “internal sanction and control mechanisms were systematically hollowed out in the course of their Africanization” because it “allowed the heads of state to implement a clientelist personnel policy” (Bierschenk, 2014, p. 228). Progressively, sanctions were only applied to people who fell out of favour and political opponents, and were interpreted by the civil servants as such, thereby losing their legitimacy. Olivier de Sardan finds an extremely wide range of potential factors behind administrative leniency:

“[...] compassion (‘you can’t discipline someone with a large family’, or ‘this worker is coming up to retirement’ etc.), reputation (it will be seen as nasty or heartless to discipline someone...), pragmatism (a potential replacement wouldn’t do any better), politics (the offender is a member of the party in power, he will be reinstated and the sanction overturned), etc. One can also try to interpret this practical norm using various sociological and anthropological lines of argument: pressure from the immediate social environment (making the case for leniency), the clientelist system (which means numerous pressures on the punisher on behalf of the punished by the latter’s ‘protectors’), the moral values of charity and pity, a morality of ‘shame’, the corruption of public services by the system of sinecures and appointments through political patronage, and more general forms of corruption (so that everyone has a hold over everyone else), the absence of a managerial culture, etc.” (Olivier de Sardan, 2014, p. 408)

This long list of potential or probable causal factors indicates the socio-political complexity of the phenomenon. But perhaps by comparing situations

---

<https://www.madamasr.com/en/2016/07/21/news/u/sisi-says-sectarian-violence-causes-rifts-among-egyptians/>

when punishment does not occur with some where it does, we can point out particularly salient ones.

For example, a number of tax workers who have spoken out about corruption have been reprimanded.<sup>202</sup> As I discuss further below, they have come forward, publicly denouncing concrete cases of corruption (bribery and embezzlement) in the tax administration, at times backed up with written documents.<sup>203</sup> But instead of leading to investigations or sanctions, employees are usually warned or threatened not to pursue matters further.<sup>204</sup> I was informed by a tax administration employee that one of the workers who came forward on TV was reprimanded and a week of his salary was withheld. Another one I spoke to was let go after repeatedly pointing out corruption internally.<sup>205</sup> Workers have reported being ostracised or declared mentally challenged or unfit for work.<sup>206</sup> It therefore seems plausible to assume that decisions with respect to punishment are largely dependent on the political survival strategies of the regime. This often means singling out people who refuse to go along with the system of “planned corruption” i.e. state-sanctioned that John Waterbury had identified in Egypt already since the Nasserist era (Waterbury, 1976).

At the level of the administrative leadership, one can observe how individual career survival strategies are a constitutive part of broader patterns of authoritarian governance. During a brief research visit to a vice-governor’s office, I witnessed an example of such dynamics when the vice-governor told a story of an employee of his who came with a list of about 50 employees he wanted him to get rid of because they were not working. He said: “I told him, if

---

<sup>202</sup> Ironically, this also applied to the head of the country’s top corruption watchdog. Indeed, President el-Sisi dismissed the head of the Central Auditing Organisation, Hisham Geneina, after the latter had claimed that LE600bn (about US\$70bn at the time) of state funds were wasted in 2015 due to state corruption. He was later arrested and charged with “spreading false news”, and sentenced to one year in jail (<https://www.bbc.co.uk/news/world-middle-east-36919173>).

<sup>203</sup> Tax collector from Abdin exposes irregularities in the ETA, Sawt el Umma, published on 2 February 2015 ([https://www.youtube.com/watch?v=TD\\_ZqTgMB2A&spfreload=10](https://www.youtube.com/watch?v=TD_ZqTgMB2A&spfreload=10)); “With documents: ‘90 minutes’ opens the file of the waste of millions because of tax evasion” (translated title), 90 Minutes, El Mehwar, published on 11 June 2015 (<https://www.youtube.com/watch?v=pQxgPr8EUlc>).

<sup>204</sup> Interview with tax collector 13, 26 August 2015.

<sup>205</sup> Ibid.

<sup>206</sup> Tax collector from Abdin exposes irregularities in the ETA, Sawt el Umma, published on 2 February 2015 ([https://www.youtube.com/watch?v=TD\\_ZqTgMB2A&spfreload=10](https://www.youtube.com/watch?v=TD_ZqTgMB2A&spfreload=10))

I fire them, I will have 50 problems, if I fire you I don't".<sup>207</sup> He argued that nobody would back him up. In other words, managers fear that if their superiors learned of problems with staff discontent, their own position may be in jeopardy.

Why is handling and managing one's subordinates in a way that does not rock the boat so important? To answer this question it is important to remind oneself that civil servants still are a key constituency of the regime's historic ruling coalition. But repeatedly, discontent among this group has threatened the regime's stability. As I mentioned in Chapter 2, state employees played a significant role in the 1977 Bread Riots and the opposition to Sadat's policies (Adly, 2014). In 1986 a mutiny of riot police forces was violently crushed by the armed forces. President Mubarak regularly placated discontent by raising civil servants' salaries via extraordinary bonuses, often approaching elections (Blaydes, 2006).

During the 2000s, protests in the public sector again became a much more common sight (Beinin, 2009; El-Mahdi, 2011). As Joel Beinin noted in 2009, it was a very significant – and in hindsight threatening – phenomenon that the social movements that shook Egypt in the late 1990s and throughout the 2000s spread from the private sector working class to public enterprise workers and even to the employees of civilian administrations (Beinin, 2009, p. 450). Indeed, the struggle of RETA workers for higher wages in 2007 led to the first founding of a non-regime-controlled labour union since the 1950s. Rabab el Mahdi also noted the shift associated with "white-collar state employees" emerging as actors of the labour movement (El-Mahdi, 2011). The Egyptian regime which is and has historically already been very sensitive to public discontent is therefore like to be particularly wary of antagonising civil servants.<sup>208</sup> Under these circumstances, it becomes clear why sanctioning a larger number of civil servants and risking a backlash from the staff, amounts in the eyes of many mid- to upper-level managers as professional and political suicide.

---

<sup>207</sup> Conversation witnessed at the office of the vice-governor of a Canal city.

<sup>208</sup> Illustrative of this fact is also that in the two weeks which the newly elected parliament had to review the laws issued by President el-Sisi by decree during parliament's three-year absence, all but the civil service reform were rubber-stamped.

But managing employees not only requires sanctions but also rewards. While it is difficult to reward people for not breaking the law, such as when they don't take bribes,<sup>209</sup> it is possible to distribute rewards to staff who perform in certain ways on certain performance criteria (attendance, cleared workload, perceived effort, etc.). And yet, as I shall show, the practice of encouraging people to do good work clashes with historical, political and moral economy forces that have become institutionalised over time.

### **c. The impact of a moral economy of bonuses**

To this end it is perhaps worth mentioning again the significance of Nasserist and Sadatist policies of mass recruitment into the civil service. A job with the government was a reward for a certain minimum level of educational achievement and a promise of decent, secure – if mediocly paid employment. In terms of the scale of the phenomenon, but in particular the persistence of it to this day, Egypt stands out even among developing countries where such practices have been quite common. Its experience was quite different from that of other developing world regions such as Sub-Saharan Africa. There, structural adjustment programmes in the 1980s and 1990s led to a massive shrinking of public administrations, reaching up to 40% within only ten years in countries like Uganda (Bierschenk and Olivier de Sardan, 2014a; Lentz, 2014; Ogbor, 2009, p. 22; van de Walle *et al.*, 2006). Nothing comparable happened in Egypt. However, this maintenance of this core aspect of the populist social contract was bought with real wage declines that Mubarak only poorly and irregularly sought to counteract with bonuses and supplements to the regular wage which over time came to make up the largest part of the total income.

What one could call a “moral economy of bonuses” today helps explain why rewards and positive incentives are ineffective. It has effectively transformed the system into a punitive system, leading again to similar

---

<sup>209</sup> As a matter of fact, recently a trio of real estate tax collectors has been publicly lauded and was featured in the news because they refused a very large bribe from a wealthy entrepreneur who wanted to have his factories exempt from the real estate tax. Youm7, published on 1 September 2015, <http://www.youm7.com/story/2015/9/1/مصلحة-الضرائب-العقارية-بالقليوبية-2329618#.VelpWrTldSU>

problems with leniency and punishment as discussed above. This is due to the fact that in the Egyptian bureaucracy, including the tax administration, virtually *everybody* gets the full amount of bonuses, incentives and rewards he or she can earn.<sup>210</sup> Therefore, not granting an employee the full package will be perceived by the actors involved (managers and subordinates alike) as a sanction. The same logic historically applies to performance evaluations of employees. Virtually all employees get flawless reviews, and therefore people will perceive deviations from this as sanctions.

The inability to accurately assess performance of individual employees is often advanced as the main reason for the decision to pay the same bonuses to everybody irrespective of actual performance (Mukherjee, 2001, pp. 5–6). This is indeed part of the explanation. The indifference or incompetence of some managers, the overcrowdedness of many government offices, the lack of computerisation, and the little there is to do for many people all make it hard to assess people according to their performance. In particular, objectively determining the quality of work, even when quantitative achievements are measurable, is sometimes tricky and/or time-consuming.<sup>211</sup> However, there is also evidence to the contrary. Do managers in the tax administration, or in other branches of public administration, really not know who works hard, who does not, and who does not even bother to show up? Clearly, colleagues know.<sup>212</sup>

So rather than a pure problem of information, the problem seems much more to be a historical and political one. As I explained in Chapter 2, under Nasser Egypt accelerated a shift towards state employment and civil service management that was not based on performance and meritocracy but on the distribution of guaranteed material and immaterial resources. So as I show below, even without any consequences to pay, some perceive poorer performance evaluations than colleagues as acts of discrimination and injustice, and pressure superiors into changing their behaviour, showing that

---

<sup>210</sup> The same seems to hold true in some other countries, such as China or Saudi Arabia.

<sup>211</sup> Tax collectors have repeatedly told me about different ways in which you could do your job in the field seriously, i.e. trying to achieve quantitative targets legitimately, or by caring only about quantity and not about quality (for instance, by pressuring shopkeepers to register with the sales tax department, although they are below the turnover threshold).

<sup>212</sup> Interview with tax collectors 1 and 2, 10 July 2014; Interview with tax collector 3, 22 February 2014; Interview with tax collector 5, 8 July 2014. with tax collectors.

neither the performance evaluation nor the reward are perceived by employees as something that is in reality linked to any actual work effort, but instead as a right: the variable part of the pay package is only variable on paper. Again, given the historical development of remuneration in the Egyptian civil service, this is not surprising. As I explained above, over the course of time the base salary of Egyptian civil servants has become an ever-decreasing part of their remuneration. While in developed countries, the variable part of the income usually does not exceed 10% of the grand total, in Egypt the “variable” part of the total salary could indeed reach up to 85%.<sup>213</sup> As civil service salaries are, on the whole, already quite low in comparison to many professions in the formal private sector, and increases through bonuses have only partially kept pace with the cost of living it would be absurd for employees to take the variability of salaries seriously.

In addition, historical-political conventions create a number of expectations. Every year, the government/president would, for instance, issue a decree granting a tax-free special allowance to be added to the employees’ salaries. This too, while theoretically not guaranteed by law, has been viewed as one essential part (out of many) of civil servants’ pay and a way to soften the blow of high inflation rates in recent years.<sup>214</sup> Anybody not distributing the full amount of bonuses is therefore likely to be seen as denying the workers their rights.

---

<sup>213</sup> The civil service reform passed in October 2016 intended to reverse this ratio.

<sup>214</sup> There are several reasons that can help explain how such a ratio of variable vs. fixed parts of the salary came about. According to a former tax official I interviewed, the system of specially decided and decreed allowances and of extensive bonus payments allows for more opacity and thus opportunities for manipulating the system for private gain (interview with tax collector 13, 24 August 2015). This is likely to be particularly true at the leadership level, but I have also come across stories of low-level tax collectors who were cheated out of parts of their bonuses by corrupt managers. In addition, pensions are mainly calculated on the basis of base salaries, therefore, pensions to be paid to retired workers are much lower, saving the government substantial amounts of money in the future. Moreover, parts of the bonuses (the “special allowances”) are tax-exempt, preventing civil servants from progressively moving into higher tax brackets and paying more taxes. While higher taxes can also be construed as positive for the government, it is possible that the government wants to protect civil servants. Lastly, some bonuses, allowances and other pay components are usually decided ad hoc by the executive, as Youssef Boutros Ghali explained in an interview (14 March 2017). It makes the legislative process simpler, as any reforms pertaining to the civil service, due to their controversial nature, tend to hold up parliament for quite some time. Plus, the raises decided by presidential decree give political credit to the ruler (Mubarak was famous for granting additional special raises ahead of elections).

This moral economy of bonuses then “feeds back” into the aforementioned dynamics of avoidance of social discontent that are also at play. Managers know that the system of bonuses is considered a right by their subordinates, so challenging this status quo of course again means to run the risk of “rocking the boat”. Though not from the tax administration, a quote from a manager in the public administration interviewed by Abdel-Basset is revealing:

“I recall one of my subordinates whom I once gave 95% on her annual performance appraisal - which is still “Excellent”.<sup>215</sup> This subordinate reported to my superior that I was discriminating against her because she used to take between 98-100% every year. Should a supervisor be fair and objective about appraising the performance of subordinates, he will be reported as discriminating against his subordinates and being unfair.” (Abdel-Basset, 2009, p. 209)

In 1988, Palmer, Leila and Yassin conducted a large non-randomised survey among roughly 500 civil servants from three different public institutions (the Ministry of Social Affairs, the Ministry of Industry, and the Aluminum Corporation), mainly from mid- to upper-level management positions from different public sector institutions. The survey found that “[...] some 90 percent of the respondents [indicated] that [administrative reform] programs likely to cause or intensify social conflict should be cancelled” (Palmer *et al.*, 1988, p. 95). As strikes, sit-ins, and protests staged in order to obtain the payment of bonuses are not unheard of in both the private and public sector, attempts to reform bonus payments are likely to constitute such a “programme”.

Under these circumstances, it is hardly surprising that according to Abdel-Basset many managers seem to have simply abandoned performance evaluation altogether (Abdel-Basset, 2009, pp. 207–210). And therefore, since many employees cannot expect any significant extra reward for good performance, but will get everything anyway, they will not make much of an effort to carry out a difficult job that can be quite unpleasant at times.<sup>216</sup> Of course, this also negatively affects the morale of those who actually do work, whether they have no choice (such as many “interface” bureaucrats) or

---

<sup>215</sup> Different categories of evaluation matter in terms of the pay. In other words, the manager here insists on the fact that he was *not* cutting the employee’s total pay.

<sup>216</sup> Interview with tax collector 3, 22 February 2014.

actually want to work (Abdel-Basset, 2009, p. 194). Not everybody accepts the system as it is. Among those “55%” who are not “disguised unemployment”, according to the estimate of one of my interviewees, many are indeed likely to be upset:

“A.: But in order to apply it correctly, the first thing is that you have to have social justice in the distribution of work, not that there is one who works in a place, and the other works in the same place, does the same work, and one gets LE1,000 and the other LE2,000. That’s not OK.

Z.: It’s OK under one condition. One condition only. Like “A” said. This one works and completes his work, and gets the LE2,000. And this one doesn’t work, so he takes the LE1,000. And if he continues not to work, lower the salary further!”<sup>217</sup>

This again reminds us that discipline, enforcement and differential treatment of those who work and those who don’t is demanded by some. The reasons why this demand remains unmet have been exposed above, but Therkildsen is also right to point out that it is exactly that lack of enforcement that may be appreciated by other elements of the bureaucracy: “they saw the slack discipline as a clear advantage as it allowed them to tend to their private business or family affairs [...] It is this lack of discipline that makes employment in the public sector attractive even for staff that could get better paid jobs in the private sector” (Therkildsen, 2014, p. 133).

But it is not only low-performing senior or office-based staff that object to more performance-based pay. Through my research I learned that throughout the tax administration there seems to be deeply rooted distrust in the ways superiors could make use of such instruments, a point to which I shall return below. Not only do they seem to fear worse pay through the back door, as in the case of tax workers’ union members I spoke with, but ordinary employees simply lack the trust in the institution and their leaders, needed to believe that such a system could be fairly implemented.

Thus, an important part of Egypt’s problem with the weakness of its management practices (monitoring, sanctioning, rewarding, etc.) seems not so much related to difficulties in obtaining information, i.e. that the

---

<sup>217</sup> Interviews with tax collectors 1 and 2, 10 July 2014.



administration wouldn't "know" who to punish, but rather to the practical norm against strict sanctioning, and a number of other historical and political factors, the most important of which is that variable pay was historically more and more considered as a right. Also, the avoidance of the spread of social discontent, bureaucratic instability, and political trouble within the civil service, even at the cost of non-enforcement of rules, has become part and parcel of the Egyptian bureaucratic management culture. As I shall show in the next sub-section, the particular role public sector employment has come to play in Egypt must also be taken into account when trying to understand why some of the phenomena seem to be more prevalent here than elsewhere.

## **2. The moral economy of civil service employment**

In this section, I will explore in greater detail the direct potential effects of the moral economy of public employment, understood as a set of expectations and beliefs about what jobs in the administration should entail. I showed in Chapter 2 how this legacy historically came about and how certain material and immaterial expectations formed and were/are disappointed as the social contract came under strain. These tensions between a persistent but broken social contract in which a moral economy of public employment plays a central role have an impact on the three problems of low work effort, corruption and reform resistance, which manifests itself in different ways.

### **a. The relative deprivation of ordinary tax collectors**

First, many workers not only feel that the state has, in a way, given up on effective tax collection, but that it has in fact also abandoned the ordinary tax collector as the key actor who actually carries out the work of collecting taxes. This echoes findings by academic researchers, including Thomas Bierschenk and others in the "States at Work" volume, who talk about the importance of "moral contracts" binding civil servants and states in their studies of sub-Saharan African bureaucracies (Bierschenk, 2014, p. 239). Many tax workers expect certain minimum levels of material and moral support from the state in exercising their jobs. Even the official discourse of

the administrative leadership acknowledges this. In a letter written by the ETA commissioner to the staff he repeatedly mentions the “material and moral rights” of the employees the leadership vows to uphold and protect in the context of the merger between the general and sales tax departments.<sup>218</sup> But mirroring the feeling that many taxpayers (or those who refuse to be) feel that they get nothing in exchange for their taxes, numerous tax collectors feel that they “don’t get anything in exchange for their work” by the state.<sup>219</sup>

Working conditions, in particular, are considered insufficient to carry out one’s duties appropriately. As I already discussed in Chapter 3, white-collar middle-class self-perceptions the expectations and ideas of what their working environment should be like. One sales tax collector told me:<sup>220</sup>

“[The tax administration/the state] should provide the employee a new and clean building which is well equipped and less crowded, [in a] spacious place with parking space and services. And then he comes and can sit down with the taxpayer. I have a computer in every office, this computer is connected to a network from which I can get any data on every taxpayer. I can look at the social security and have a look: How many employees does he have?”<sup>221</sup>

Needless to say, the reality does not look like this, though working conditions are not poor across the board. But surely more importantly, the injustice is perceived financially, as one former mid-level official explained:

“The tax collector feels unjustly treated in terms of his salary. It doesn’t give me the strength to do my job. The things got worse and worse, also with corruption.”<sup>222</sup>

This echoes findings by Thomas Bierschenk, amongst others, who talked about broken “moral contracts” in his studies of sub-Saharan African bureaucracies (Bierschenk, 2014, p. 239; Lentz, 2014, p. 176). In a context where workers feel deprived of the standard of moral and material support by the state, some may feel that “going to steal” is the only logical consequence, whether they do it themselves or not.

---

<sup>218</sup> Internal letter of the tax commissioner on the merger of the general and sales tax departments into the Egyptian Tax Authority, January 2007, <http://www.ltc.gov.eg/pdf/message.pdf>

<sup>219</sup> Interview with tax collector 14, 27 September 2015.

<sup>220</sup> Over the course of my field work I visited about five or six buildings of various tax administrations, most of them in Cairo, but also one in a Canal city.

<sup>221</sup> Interview with tax collector 2, 10 July 2014.

<sup>222</sup> Interview with tax collector 13, 26 August 2015

Indeed, petty corruption, as opposed to grand corruption at the level of the administrative and political leadership, was considered an understandable consequence of the “economic strangling” that the civil servant has been exposed to in recent years in particular. But one tax collector saw it explicitly in terms of a general *déclassement* of Egyptian civil servants since the 1970s:

“After the Infitah, after Sadat, [...] there was a break with the civil servants. The living standards decreased, the income per month of specific sectors increased, and the government official didn’t increase with them. There were strong imbalances. The civil servant wants to feed his children and wants to educate them, he sees people around him, a plumber, a mechanic, a technician, and he has money. When he comes and does something in the apartment he asks for a huge sum. It eats his entire budget. He begins to start looking at other ways out. Some people continue to live like that (without going in different directions). Some work in the afternoon, some people take bribes, some do these other things. And so if something breaks he is the one who repairs it, or you push back the repair as long as you can, or he works another job so that he can pay for the economic necessities, or he becomes corrupt. So then he’s corrupt. So the group that entered in 2002 in the sales tax, the percentage of corrupt people didn’t exceed 20%, it got now to approximately 60%. The reason is again the economic strangling. [...] There comes one respectable young man, he stays respectable for a while, suddenly he wants to feed his son, wants to bring him presents, wants to give him toys, he wants to live in an area that’s a bit better than where he grew up, so he thinks that his salary doesn’t suffice. So he starts to think about something else. If he has no second job, then...”<sup>223</sup>

The promise of upwards social mobility that once came with a good position in the civil service such as a job in the income or sales tax administration, is viewed as unrealistic if one does not moonlight or engage in corruption. Ayubi shared this view, arguing that if corruption, “looseness”, and poor work ethic spread so much and so visibly during the 1970s, it was largely because of the rampant “commercialism” and the relative loss of status that civil servants suddenly experienced (Ayubi, 1980, p. 72).

This is certainly grounded in objective and absolute trends in terms of decreasing purchasing power, but I would argue that it is equally important to consider the status decline in relative terms as well, both vis-à-vis the expectations people have of their job and of their position in society.

---

<sup>223</sup> Interview with tax collector 2, 10 July 2014.

Data on the evolution of general civil service wages is not entirely conclusive, but there were indeed clear periods of real wage erosion. Based on labour market surveys carried out between 1988 and 2012, Mona Said showed that between 1988 and 1998, median real wages of civil servants plummeted massively (-25%), before recovering in the period from 1998 to 2012 (Said, 2015, p. 9). In 2012, median real government wages were only 16% higher than in 1988, having recovered to the levels of the late 1980s only sometime in the early 2000s (Said, 2015, p. 9). A study by Handoussa and El Oraby paints a much bleaker picture. Comparing salary scales of civil servants in real terms in 1964, 1978 and 1999, show a decline of purchasing power by a factor of 25 between 1964 and 1978 and by 10 between 1978 and 1999 (Handoussa and El Oraby, 2004, p. 8). However, given the proportions that variable parts of the overall take-home pay took over the years, it is probably safer to multiply wages in 1999 by at least 4, but this would still amount to a very steep decline in real wages, probably too steep to be realistic. Thus, given the evidence from these two studies, it perhaps safer to conclude that since at least the 1970s there have in all likelihood been repeated and significant periods of real wage decline or at the very least stagnation, interrupted by periods of modest recovery.

The share of government employees below the low earnings level stood at 39% in 1988, increased to 60% in 1998, decreased to 35% in 2006, and rose again to 43% in 2012 (Said, 2015, p. 10). In other words, more civil servants are poor now than in 1988. The Gini coefficient for the wage distribution also increased over that period, indicating that the wage increases of the 2000s disproportionately went to higher salaries for upper management (Said, 2015, p. 11). But it is important to remember that this data is for civil servants as a whole. Objectively, tax collectors are likely to have fared decently in the 2000s, as the pay of general tax authority employees was increased in the wake of the merger with the sales tax authority, forming the new Egyptian Tax Authority.<sup>224</sup> And real estate tax collectors managed to win significant pay rises after protests against their low salaries (Lachapelle, 2012).

---

<sup>224</sup> Interview with Youssef Boutros Ghali, 1 March 2017.

And yet, the general perception of the situation by tax workers I spoke to during fieldwork, was one of being socially demoted. Tax collectors feel that the importance of their job, the status and what it entails, *should* warrant much greater appreciation. This sense of abandonment is strongly reinforced by the self-perception of tax collectors as a key group for society, both practically and morally/in terms of the public good. Repeatedly, they have publicly argued that they generate the lion's share of the resources the state needs to function, as a sales tax authority employee explained at an event organised in the wake of the protests against the civil service reform:

“We are an authority that brings you LE420 billion. [...] You have to value/appreciate the more than 70% of the state's revenue that we bring you.”<sup>225</sup>

An angry tax collector protesting the new civil service law in August 2015, shouted into the camera:

“The government entity most hit by the civil service reform is the tax authority! I audit companies that sell for LE20m! I am expected to take care of my appearance, support my family, [...] The government is telling people, go and steal!”<sup>226</sup>

Statements like these are common and even made outside the context of the labour struggle against the civil service reform. Employees strongly feel that without them, the state would have no resources to pay for schools, hospitals, roads, etc. Thus, their crucial position as collectors of the state's revenue rather calls for a privileged material position that is equal to judges, where the state has presumably a very strong interest to prevent corruption, too: “tax collectors are much like judges. If they receive insufficient salaries, then they grow prone to accepting bribes and corruption.”<sup>227</sup> Which is why tax collectors heavily criticised the numerous exemptions of key state institutions and their civil servants (judiciary, presidency, army, etc.) from the application of the new civil service law: “If laws like the civil service law are to be applied, then

---

<sup>225</sup> “Head of the sales tax union: the ministries of finance and planning sow division between the people and the government“ (translated title), Masr El Arabiya, published on 15 August 2015 (<https://www.youtube.com/watch?v=2NekEBZbJy4>)

<sup>226</sup> “Tax authority employees protest civil service law”, Al Ahram Online, published on 10 August 2015 (<https://www.youtube.com/watch?v=uQXmJvddj6g>)

<sup>227</sup> Workers protest civil service law in one of biggest street actions since 2013, Mada Masr, published on 10 August 2015 (<http://www.madamasr.com/en/2015/08/10/feature/politics/workers-protest-civil-service-law-in-one-of-biggest-street-actions-since-2013/>)

they should be applied to all civil servants and public sector workers. However, this is not the case,” a sales tax employee from Alexandria said.<sup>228</sup>

Others frame their engagement explicitly in moral, patriotic terms, as being for the public good. They say that they “work to get money for Egypt, for the national budget.”<sup>229</sup> The ETA employee from the central Cairo tax office of Abdin, who went public with accusations of corruption in the corporate tax office and was subsequently transferred to his current position, expressed his frustration the following way:

“Since I was young I have been bringing in money for the state; they should build me a statue. Not because I like the fame, but because it’s the right thing and this is the truth.”<sup>230</sup>

### **b. Vertical injustice within the tax administration**

The perceived horizontal injustice is complemented by a vertical one: that ordinary tax collectors are bearing the full weight of inflation, reforms and other measures that weaken the position of the tax collector, while the revenues of the administrative leadership do not seem to suffer as much, a perception that seems to be quite accurate if we believe the aforementioned figures and what other authors have shown has been taking place since at least the 1990s.<sup>231</sup> More generally, real cases, accusations or perceptions of corruption in the upper strata of the administration are likely to affect the perceived moral legitimacy of petty corruption. For many Egyptian tax collectors, it is difficult to accept calls for honesty when they feel that some, or many, of their own superiors may not be “clean” themselves.

Indeed, in the tax administration, as in other Egyptian state bodies where petty corruption at the “street-level” are common, there are reasons to believe that pyramidal bribe farming schemes are in operation, in addition to cases of grand corruption and embezzlement.<sup>232</sup> Furthermore, while toleration

---

<sup>228</sup> <http://www.madamasr.com/en/2015/08/10/feature/politics/workers-protest-civil-service-law-in-one-of-biggest-street-actions-since-2013/>

<sup>229</sup> Tax collector from Abdin exposes irregularities in the ETA, Sawt el Umma, published on 2 February 2015 ([https://www.youtube.com/watch?v=TD\\_ZqTgMB2A&spfreload=10](https://www.youtube.com/watch?v=TD_ZqTgMB2A&spfreload=10))

<sup>230</sup> “With documents: ‘90 minutes’ opens the file of the waste of millions because of tax evasion” (translated title), 90 Minutes, El Mehwar, published on 11 June 2015 (<https://www.youtube.com/watch?v=pQxgPr8EUlc>)

<sup>231</sup> See for example (Soliman, 2011).

<sup>232</sup> Interview with taxpayer 2, 6 March 2014; Interview with consultant 1, 23 October 2013.

of corruption at the highest levels had existed under Nasser, scholars largely agree on the fact that since Sadat it has reached much higher levels, mainly as a tool of political control and elite management (Ayubi, 1991; Waterbury, 1976).<sup>233</sup> Due to the illegal nature of the phenomenon, it is impossible to get a precise idea of how widespread corruption is among mid- to upper-level management of the tax administration. However, by cross-checking my own information on the tax administration that I gathered in the field against broader secondary literature I can rather safely assume that ordinary tax collectors quickly learn on the job – if they did not already know beforehand – that the corruption among peers also exists at more senior levels of the tax administration.<sup>234</sup> There have also been repeated public accusations against senior management and the leadership of involvement in corruption or the obstruction and slowing down of investigations into these cases. An auditor from the downtown Cairo district of Abdin, after having exhausted all internal and external reporting options, turned to smaller Egyptian media outlets before being invited by the national TV channel *El Mehwar*, where he talked about several cases of corruption involving mid- to high-level management. In one case, he explained that documents from his audit file of a large company were stolen and numbers in the computer file altered. In another, his audit, which led to a demand for extra payment of a further LE2m in taxes, on top of an initial liability of LE10m, did not proceed because a director general at the tax office personally intervened. In the show, he says:

“I did this file like any honest colleague. We are working for Egypt. It’s 2012, after the revolution, and the country needs the money, a large company makes 1 billion and declares something like 10m in taxes. If I see a businessman with 2 billion and who pays 10m in taxes this year, and I audit him and add 2 million, the state needs these 2 million. That’s in 2012. The case was obstructed. It was obstructed because the general director knows the legal accountant of the company that doesn’t want to continue with me auditing, because he can travel to Spain and they pay it for him. [...] It’s so that they don’t have to go on holiday here with us in Alexandria but can go to Spain.”<sup>235</sup>

---

<sup>233</sup> John Waterbury even speaks of Sadat’s “planned corruption” (Waterbury, 1976, p. 434).

<sup>234</sup> See the discussed cases of uncovered corruption discussed below. For secondary literature see, for instance, (Abdel-Basset, 2009).

<sup>235</sup> “With documents: ‘90 minutes’ opens the file of the waste of millions because of tax evasion” (translated title), 90 Minutes, *El Mehwar* published on 11 June 2015 (<https://www.youtube.com/watch?v=pQxgPr8EUlc>)

An employee of the income tax department, who was also head of the Cairo independent general tax authority union, publicly denounced cases of embezzlement by the ETA leadership. In a similar fashion, he came forward first via small independent online outlets before appearing on national television.<sup>236</sup> Workers each month pay a small contribution to a fund which is supposed to finance the sports, health, social and cultural activities of ETA employees. In Egypt, this typically means special clubs, sporting grounds, and at times even hospitals, for their members. The fund was set up in the late 1970s to early 1980s as a so-called “special fund”. These funds were created to give greater autonomy to individual government institutions, both vertically and horizontally. In exchange for lower transfers from the central government (in particular to the ministries of defence and interior), it was agreed that the institutions could use the proceeds of fees or fines raised from the public, contributions from their employees, and other proceeds (from advertisements in public spaces, etc.) to finance activities that benefit the members of the institution and the institution as a whole.

However, the strong lack of transparency and accountability meant that these quickly turned into opaque slush funds that, in addition to some legitimate expenses, are also a huge source of corruption and embezzlement. The employee who came forward explained that there were no such things as clubs or any other benefits for the employees, and produced documents that showed that there were some severe deficiencies and wrongdoing in the management of the fund, which is controlled by a board of directors composed of the head of the authority (by virtue of his position) and a number of other senior ETA officials.<sup>237</sup> He argued that workers pay for things they get nothing in return for, and that millions are being wasted by unaccountable bureaucrats who enrich themselves. A different employee later debated with another senior ETA official in a similar TV format and the senior official did a very poor job of trying to disprove the strong claims of embezzlement.<sup>238</sup>

Many low-level tax collectors would therefore share the view that while they are struggling to make ends meet, higher-up officials are stealing what

---

<sup>236</sup> <https://www.youtube.com/watch?v=CFBHRE3igL0> and  
<https://www.youtube.com/watch?v=gOqA2Hx1Kwg>

<sup>237</sup> <https://www.youtube.com/watch?v=CFBHRE3igL0>

<sup>238</sup> <https://www.youtube.com/watch?v=axsdc4zulxc>



they, and the country, is should be receiving. In this context of largely unpunished corruption, the view that the state is doing nothing to keep up its side of the bargain, namely to punish wrongdoing and treat decently those who work for it. In the end, it is most often those who speak out about corruption that are likely to be sanctioned. The message this sends to tax collectors both about the ethical guidelines (or their absence) that seem to direct the leadership's actions, and to those who would like to actively try to change the system of tax collection to a cleaner one, is very clear, as the tax collector from Abdin explained:

“We work in order to bring in money for Egypt, for the national budget. And we find evasion, we find corruption, we find corrupt leadership, they repress us, if you report something they accuse you of discrimination, accuse you of being biased, of being mentally retarded and unfit for work, and the leadership acts as if they were infallible like the Messenger of God [Prophet Muhammad], as if they were Gods.”<sup>239</sup>

It is here that how sanction is being dealt with, moral economy concerns, and the lack of trust within the tax administration (I shall discuss this latter aspect further below) all converge. This does not mean that tax collectors, such as the one quoted above, must eventually turn to corruption. But it gives us insights into the kind of work environment many tax collectors are inserted into, it exposes the social pressures that are exerted on the average worker, and it helps us understand representations of corruption and their legitimation.

### **c. Effects of broken moral economies**

The effects of this broken “moral contract” are numerous. Most directly, they can lead to the frustration and marginalisation of some of the most committed, motivated, and upright employees. As long as they work hard but do not act in any potentially hierarchy-challenging way, they may be valued and relied upon, or at least tolerated. But if they get themselves involved (in favour of administrative changes, anti-corruption, etc.) to an extent that could be perceived by their superiors as threatening, either from a career or a

---

<sup>239</sup> Tax collector from Abdin exposes irregularities in the ETA, Sawt el Umma, published on 2 February 2015 ([https://www.youtube.com/watch?v=TD\\_ZqTgMB2A&spfreload=10](https://www.youtube.com/watch?v=TD_ZqTgMB2A&spfreload=10))

political perspective, these change-oriented, honest, and often hard-working, tax collectors are mostly alienated and marginalised by the leadership. They tend to be punished or harassed with a number of measures of varying severity. While they may not lose their job, they can get transferred to another place, be exposed to the spreading of false rumours about them, or have parts of their salary withheld, as it happened in a number of cases involving both informants of mine and tax collectors who came forward in the media.

In addition, the fact that in the past decades Egyptian civil service has moved ever closer to a form of disguised unemployment benefit, a “survival wage” in exchange for a job which will often require little effort and time, has had a profound impact on the type of people that are attracted by civil service careers. Candidates for public employment have developed certain expectations about what a civil service will, and should, be like. While significant numbers aspire seriously to a meaningful job that serves the nation and the public good and are ready to work for it, a large portion of new entrants arrive on the job, as Palmer *et al.* explained already in the 1980s, “predisposed to apathy” (Palmer *et al.*, 1988, p. 37). They choose a career in the civil service precisely because they expect that they will not have to work long hours, and that they may not show up to, or leave much too early from, work without ever getting fired. The nature of the job, its remuneration and the working environment do in the eyes of civil servants not allow the leadership to demand serious work.

There is even evidence for such an implicit “moral contract” among the administrative leadership. While I do not have quotes from ETA or MoF officials, Palmer *et al.*’s work showed that such considerations do exist and matter for mid- or upper-level management (Palmer *et al.*, 1988). They write: “One senior official expressed the sentiment as, “we pay them so little, how can I ask them to do more?” (Palmer *et al.*, 1988, p. 85). Abdel-Basset quotes another manager explaining that “we cannot expect an employee to be productive and work hard if he is working in an overcrowded office space with inhuman working conditions like bad ventilation and unclean office space” (Abdel-Basset, 2009, p. 209). In other words, it is, in some situations, also the realisation of managers themselves that the state does not fulfil any expectations or commonly held views of decency and acceptability, that will

shape their willingness to push people to work, to enforce bureaucratic rules and sanctions, etc.

Finally, it exacerbates the tax administration's historic problem with its staff leaving for the private sector. Given the technical expertise and the personal connections of tax collectors on the one hand, and the better pay in the private sector on the other, this is hardly surprising and is in fact the case in many countries around the world. But this is not only linked to better material conditions. Many of those most qualified and most committed to lead and transform the tax administration also see no future for them in an administration that is deeply permeated by stultifying red tape, corruption, and the monopolisation of power by senior bureaucrats.

### **3. Distrust and feelings of exclusion: rifts in the tax administration**

In this final section I show how distrust not only permeates state-society but also intra-state relations. Ordinary, interface-level tax collectors feel excluded on decisions that regard the present and future working of the tax administration which they feel are made exclusively by "old-school bureaucrats" (Anders, 2014). This struggle among different groups, (divided along lines of age, seniority, job category, and on issues of labour representation, reform orientation, etc.) affects ineffective tax collection by preventing effective top-down governance within the administration by increasing resistance to reform and weakening vertical co-operation.

During my field research, I noted that the tax administration was divided along a number of lines and that distrust ran deep. At the most abstract and generalising level, one could perhaps describe the main division as one between typically more senior "old-school bureaucrats" and a newer generation of younger, more junior civil servants that one may perhaps call "*shabab*" (youth, as some tax collectors call themselves) (Anders, 2014). The term "youth" must here be understood as a group with fairly fluid boundaries that are defined in terms of seniority (of service in the tax administration), education and mentality (modern, emulating private sector standards vs. "old-school" bureaucracy-oriented), work patterns (field staff vs. office workers)

and also age, whereby the latter was usually understood to refer to people below an age of roughly 40 years.

The key complaint of the “*shabab*” about the “old-school bureaucrats” and upper management in general (whether they share all of the ideal-typic characteristics or not) was that they were disconnected from the reality of tax collection and were marginalising the lower elements. In particular, those who were working in direct contact with taxpayers, for instance through field assessments or audits, felt that “bureaucrats” don’t know as much about what’s going on “in the street”, and are not clearly enough in contact with the various, often illegal practices that occur in the process of tax collection. This is especially the case among people working in the RETA, where the proportion of street-level bureaucrats is much higher, as well as for ETA field staff. For many of them, *maktabi* (office) people do not experience the same daily interactions with taxpayers, do not gain the same intimate knowledge of tax collection that one gets through regular contact with tax society, and are said to have questionable expertise with which to judge them and their work with the taxpayers, as a sales tax collector from Cairo explains:

“Look, I’m telling you, I’m seeing this on a daily basis in the street. I deal with it, I perceive it”.

“[...] there are some central administrations that go and inspect the local tax offices. And the central auditing organisation inspects the entire place (tax authority). But most of the central organisation is I mean... civil servants. Old-school civil servants. They also don’t go to the street. Whoever knows the bad sides or whoever knows to work in the street knows how to judge the work of all the people who go to the streets. The office tax worker (*maktabi*) belongs to the office, goes to the office, looks at numbers, at documents, figures, ...”

[talking about the head of the authority]: “it’s great that you have a doctorate and that you’re educated, but I have a doctorate of the streets.”<sup>240</sup>

Clearly, the divide is not only dependent on professional divisions between people with different types of work, but is viewed as an issue of different “mentalities”. “Old-school” civil servants, with the “old way of thinking” (*el fikr al qadim*), referring to commonly held ideas and stereotypes

---

<sup>240</sup> Interview with tax collector 2, 10 July 2014.

of upper-level bureaucrats, are a main obstacle for change promoted by people with “new” and more “open-minded” and “modern” views. Socialised in a different era, living and working in closed social circles, surrounding themselves with like-minded friends and colleagues, the old-school bureaucrats are viewed as a hopeless case: “they grow up in this”, as one tax collector said.<sup>241</sup> Abdel-Basset, in her study, got similar answers from her interviewees:

“We call those people “Ancient Bureaucrats”, these are the typical bureaucrats who report to work from 9:00 to 15:00 but God knows how they spend their time because they never accomplish the task when we require them to, they don’t like the computer, and those who decide to enhance their skills use a computer [to] play music or Internet games.” (Abdel-Basset, 2009, p. 198)

These professional and “mentality” divides overlap considerably with a generational conflict between younger or more junior and older or more senior elements, although this is not always the case. Some younger elements may, of course, display very little organisational commitment and feel more comfortable with a bureaucracy dominated by routine, just as members of the senior leadership may be very active “modernisers” and “reformers”. Ashraf El Araby,<sup>242</sup> who was a reformist and very much a “moderniser” of the tax collection apparatus, was at the same time opposed by many within the tax administration for his background outside the tax administration (he was working for Hazem Hassan, a renowned accounting firm which has since then become a branch of KPMG).<sup>243</sup> Leaders with extensive “street credibility” seem to have been much more popular.<sup>244</sup>

This divide means that trust between groups on either side was quite low. The distrust manifests itself in everyday bureaucratic life in a number of ways. Like many other parts of the Egyptian bureaucracy, the tax administration suffers from a lack of information-sharing and co-operation. By that I mean, on the one hand, the problems in institutional co-operation, for

---

<sup>241</sup> Interview with tax collector 5, 8 July 2014.

<sup>242</sup> Two Egyptian government figures share that name. The former head of the ETA is now a member of Egyptian parliament and is not to be confused with the long-time minister of planning and international co-operation.

<sup>243</sup> Interviews and informal conversations with tax collectors.

<sup>244</sup> Tax collectors 1 and 2 explicitly mentioned how Mahmoud Ali, the former head of the sales tax authority, had once been an ordinary tax collector like them. Interviews with tax collectors 1 and 2, 10 July 2014.

instance between local tax offices and the central administration, or between different branches of the tax administration. One former tax official, who made it to the grade of director general, told me how when it comes to suggestions or ideas, superiors or rivals steal them and take credit for them higher up in the organisation.<sup>245</sup> Furthermore, there seem to be severe vertical communication deficiencies. For fear of being blamed for mistakes, subordinates often do not report negative information to superiors.

Perhaps one of the most significant ways in which intra-bureaucratic distrust manifests itself is through resistance to reform. This is a universal bureaucratic, or even organisational, phenomenon. In countries of the North and the South alike, public administrations tend to be sceptical of change. As Bierschenk and Olivier de Sardan explained, much of what differentiates African bureaucracies from developed ones is not a difference in essence, but in style and degree (Bierschenk and Olivier de Sardan, 2014b). In the view of experts and consultants I interviewed, some of whom have had extensive experience of working with tax administrations around the world, the Egyptian bureaucracy is, even by developing countries' standards, particularly resistant to change.

The civil service reform of 2015, for instance, planned to introduce performance evaluations that would include more immediate consequences. After two consecutive negative evaluations, sanctions such as a pay cut, or even dismissal, were to be applied. Bonuses, which would now represent only a small part of the total pay instead of the majority, would also be granted only to those who performed well. With some naivety, I expected some of my interviewees, especially younger ones, some of whom I knew worked really hard, to welcome this measure. However, the deep roots of intra-state distrust were again visible here, as the employees I talked to then invariably expressed strong fears that such power given to managers would only lead to favouritism. They did not expect to be evaluated on how well they worked, but on the personal preferences and whims of the manager.<sup>246</sup> My findings are in line with some very recent research on India and other developing countries

---

<sup>245</sup> Interview with tax collector 13, 26 August 2015.

<sup>246</sup> Interviews with tax employees in a news report by Al Ahram Online, published on 10 August 2015 (<https://www.youtube.com/watch?v=uQXmJvddj6g>) (the subtitles in the video are not fully accurate translations – the quote is based on my own translation).

which argues that the lack of trust between subordinates and managers in their civil services is a severe impediment to the acceptance of performance-based management tools (Chaudhury *et al.*, 2006).

Conversely, old-school bureaucrats suspect that changes supported by the *shabab*, and the latter's ideas and proposed measures, in effect target them personally and their control over the organisation. This is perhaps most apparent with respect to the computerisation of the tax administration. The Egyptian tax administration is only partially automated and in some of the tax offices I have visited, computers were not always available, and if they were, they were not always used. People within the administration report that certain "old-school" bureaucrats resist and obstruct the use of computers for a number of reasons.

First, they are often computer illiterate, and do not wish to expose themselves to the shame of not being able to use a computer productively for work, and consider themselves too old to learn how to. They have been used to conducting all bureaucratic dealings on paper and consider that things worked just fine. One tax official I interviewed told me how he pressed his superior to push for computerisation and to embrace it in order to increase efficiency and reduce costs.<sup>247</sup> But the superior, who was over 60 and close to retirement, and who like many of his generation carries out all his work on paper, just told him that "we have worked like this for 48 years, when I leave, do what you want".<sup>248</sup> Second, the use of computers makes the manipulation of the system for corrupt practices not impossible, but more difficult. Third and finally, computers are opposed because they are perceived as potential replacements for themselves. In fact, many people in the tax administration are likely to share this not wholly unjustified view. In an administration in which numerous trivial, and at times superfluous, steps have been created to keep busy some of the people who were hired without an immediate professional need or use, the incentives to keep these processes going and to object to automation and simplification are high. In other words this shows that what may sometimes be perceived as a purely technical "modernisation"

---

<sup>247</sup> Interview with tax collector 13, 26 August 2015.

<sup>248</sup> *Ibid.*

effort, can actually be seen as a political “take-over” project by certain groups within the administration, in this case more junior and tech-savvy employees.

Another major reason for the opposition to reform is the feeling that their opinions, suggestions, and ideas for improvements are completely ignored. In several interviews, ETA employees have told me about suggestions and proposals they have made, often on ways to increase revenue collection either by making processes easier for Egyptian taxpayers or by fighting tax evasion. Some of these suggestions were heard, and purposefully ignored, often for political reasons. During one interview, a former mid- to upper-level ETA manager told me about how he had suggested using the national ID card numbers, which the vast majority of Egyptians possess and which constitutes one of the most detailed databases of the Egyptian population, for tax identification purposes.<sup>249</sup> He informed me of how he was told that “this would expose too many people” – evidence of fears to the political stability of the regime to which I shall return in greater detail in the following chapter. After asking him whether this wasn’t the whole point, he replied “not for the people who make the decisions”. Other more junior employees often come forward with similar suggestions.<sup>250</sup> These employees with work experience in the administration who try to develop solutions to existing problems are disillusioned. A sales tax collector in a Canal city, who is conducting research with the aim of developing proposals to improve the customer service orientation of the tax administration, told me that his “thesis would disappear in a corner cupboard, they won’t listen or take up anything.”<sup>251</sup> A former tax officer working in an Upper Egyptian tax office, and who emigrated to a Gulf emirate, argues in a similar fashion:

“[...] You should change the mind-set of tax officers, you know? Those good tax officers, give them the opportunity to lead the tax office. If they give me the opportunity to be there, why not, it's my country, I'm happy to do something for my country but I know if I go there they will kick me out, [telling me] we don't need you.”<sup>252</sup>

---

<sup>249</sup> I shall discuss these in more detail in Chapter 5. Interview with tax collector 13, 26 August 2015.

<sup>250</sup> Interviews with employees of the ETA in Yqeen news report on a tax workers’ conference entitled “The Tax Authority between Theory and Practice”, published on 12 March 2015 (<https://www.youtube.com/watch?v=0-ZAEtF9chg>).

<sup>251</sup> Interview with tax collector 15, 29 September 2015.

<sup>252</sup> Interview with tax collector 5, 8 July 2014.



In 2015, members of the tax administration organised a conference, not sanctioned by the Egyptian Tax Authority, in order to discuss the topic of “Taxation in theory and in practice”. That tax workers chose this motto seems to indicate that they, too, want to make people aware of serious discrepancies between what they think tax collection should and could be like, and how it really is. They wanted to put forward their own plans for improving tax collection, and invited experts and employees to speak and to discuss reform ideas. Unfortunately I was unable to attend the conference in person, but a number of videos posted on YouTube, including interviews with a number of tax administration employees, gave insight into their grievances. A tax collector from the Qena and Red Sea district explains, for instance:

“We were always attacked by the leadership saying that we are fighting them. No, now we are saying to the leadership, come here and listen to the vision that we talk about, we are presenting our idea. We are maybe one of the most important authorities in the country but our situation is very negative.”<sup>253</sup>

Instead, employees criticise the administration for relying excessively on outside expertise, in some cases from abroad. Another employee interviewed argued:

“[...] People doing their master’s or doctorate finish lots of useful studies, but unfortunately the top of the administration doesn’t use them, and that’s one of the points I want to talk about. [...] What’s the use of bringing in experts of the state council, from outside the tax authority, and paying them very large sums and having promotions of doctorates, top experts, tax and legal scholars but without using them.”<sup>254</sup>

This was a recurrent theme throughout my fieldwork. Employees felt that the “*shabab*” were not given a chance, and that despite the very obvious failures of existing practices that they and everybody else can easily see. Two employees of the sales tax department in Cairo, regularly visiting taxpayers in their shops complained, for example:

---

<sup>253</sup> Interviews with employees of the ETA in Yqeen news report on a tax workers’ conference entitled “The Tax Authority between Theory and Practice”, published on 12 March 2015 (<https://www.youtube.com/watch?v=0-ZAEtF9chg>). Own translation.

<sup>254</sup> Ibid.

“They don’t give us young people a chance, the older people above ignore us although we have good suggestions on how to improve things. They instead bring in somebody from outside Egypt who doesn’t know the ins and outs but they say he’s a foreigner, he has a lot of experience.”<sup>255</sup>

“We wish that the Ministry sits with us before the law comes and sits with the young folks, sits with the people dealing in the streets, sits with their ideas, their way of thinking. They apply this to a certain extent. The administrative development ministry holds meetings with the employees as well, asking them questions on the administrative aspect of the work. And if the Minister sits and thinks before the law comes what the difficulties we can see in the streets are, and what the things are that I can add, then something good will come out of it, something comparable to international standards and the state will benefit from it. If he goes along with the mind-set of the old people and the old way of thinking, “I’m a doctor”, “I did studies and consultancies and I give courses”, and all of these things, then this law will be a bad law and will make the people rise up and create a crisis in the country. Unfortunately, the former regime was dependent on this group of people who sit and don’t move. That was one of the jokes that was always being told, “The minister that comes in doesn’t leave except to the graveyard.”<sup>256</sup>

This frustration is reinforced by official pledges in the past which promised that workers would be heard, for example when the tax commissioner promised that “all workers will have an active role in the process of integration [the merger creating the ETA]”.<sup>257</sup> The perceived disregard by upper echelons of the tax administration of input coming from below has left many disillusioned. Some, such as this tax collector from a Canal city, show even clear signs of resignation:

“Moritz you have to understand that everyone protects their seat.

1. He needs to shut his mind off and make his mind disappear
2. Apply anything from above

Then he can stay the longest in his seat.”<sup>258</sup>

In sum, under the circumstances described above, co-operation or change, no matter the actual content of reforms, remains extremely difficult

---

<sup>255</sup> Interview with tax collector 12, 19 August 2015.

<sup>256</sup> Interview with tax collector 2, 10 July 2014.

<sup>257</sup> Internal letter of the tax commissioner on the merger of the general and sales tax departments into the Egyptian Tax Authority, January 2007, <http://www.ltc.gov.eg/pdf/message.pdf>

<sup>258</sup> Interview with tax collector 15, 29 September 2015.

and the distrust and the divides that permeate everyday tax collection is likely to remain.

### **Conclusion**

In this fourth chapter, I sought to better explain a number of bureaucratic “pathologies” affecting the Egyptian tax administration. Low administrative capacity, rent-seeking behaviour and neopatrimonialism are often put forward to explain things like absenteeism and low work effort, resistance to change and corruption. I argued that we need to adopt a broader perspective.

I showed how dominant practical norms of administrative leniency permeated the Egyptian state apparatus. Reward and sanctioning mechanisms have been rendered meaningless amongst other things due to the unwillingness of the administrative leadership to risk widespread disgruntlement, but also due to the effect of a persistent but broken moral economy of civil service employment. More generally, disappointed expectations mean that many tax collectors feel not only deprived of their rights as Egyptian civil servants but feel, as I also alluded to in Chapter 3, abandoned in their quest to fill the nation’s coffers. Others, disillusioned and/or cynical, have already accepted that their job may in the end be nothing more than a particular form of unemployment support, and see no reason why they should bother to work hard if few others do so and if the administrative leadership itself is not known to be particularly honest or competent either. This administrative environment is further poisoned by distrust within the tax administration, between the lower ranks of the staff and the leadership, which helps explain why resistance to change from below is so widespread. Such intra-bureaucratic dynamics have been observed in other countries around the world, but in the case of Egypt, where both the expectations and demands of civil servants may be particularly high and the political regime particularly sensitive to discontent, they appear both especially severe and difficult to change.

These findings have a number of implications for the literature. I showed how historically-shaped norms, expectations, feelings of entitlement

to certain rights of ordinary tax collectors matter for our understanding of many common “administrative problems” that often result in ineffective tax collection. This historical, normative-ideational dimension of “low state capacity”, as it is often dubbed in the literature, has thus far been largely neglected. Furthermore, my chapter makes the important point that distrust and broken social contracts do not just characterise and matter for state-society relations but that they are instead just as much at work *within* the state (Braithwaite and Levi, 1998; Levi *et al.*, 2009; Rothstein, 2011; Rothstein and Stolle, 2008; Torgler, 2003).

The Middle East politics literature can benefit from my description of the frustrations arising from generational or insider/outsider rifts *within* the state that led to public sector unions and civil servants being part and parcel of the 2011 uprising. As I showed in this chapter, intra-state relations are much more similar to wider state-society relations than one has perhaps commonly assumed; that is, marked by mutual distrust as well as by insecurities at the top of the regime, knowing that the state is not delivering on what civil servants and citizens alike consider to be the historical promises of Egypt’s social contract. In addition, I would argue that representations of the Egyptian bureaucracy have at times been too uniformly negative in painting the public administration as a behemoth employing only lazy, rent-seeking, and corrupt people who mistreat the public. Professionalism, meritocracy, and impartiality are not rejected in principle. In many cases they are supported and even fought for, but most tax collectors have grown accustomed to, and disillusioned with, the power and dominance of engrained bureaucratic practices and norms, often maintained by what is perceived to be an authoritarian and corrupt leadership.

After two chapters focused on how tax collection functions at the micro-level, what now remains to be done is to turn towards the upper echelons of the state, and to try to understand how micro-level behaviour at the administrative and elite-levels and the macro-political strategies of governance interact.

## Chapter 5: The elite-level politics of enforcing tax laws

### Introduction

Having retraced the history of Egyptian taxation in Chapter 2, examined micro-level interactions between taxpayers and the tax administration in Chapter 3, and studied tax collectors and intra-bureaucratic dynamics in Chapter 4, this final empirical chapter will focus on the top level of analysis presented in the analytical framework: the political and administrative leadership. What role does it play in the lax enforcement of taxes?

For some time now, the literature on taxation in developing countries has established that “politics matter” in determining whether rulers choose to impose taxation effectively. A number of scholars, experts, and practitioners have, in particular, emphasised the importance of “political will” among the political and administrative leadership, and the negative effects of a lack thereof (Ahmad *et al.*, 2014; Bird, 2004; Bird and Slack, 2006; Cantens *et al.*, 2010; Kelly, 2000; Morrissey, 1995; Radian, 1980; Sayed, 2004). However, the literature has had somewhat greater difficulties in precisely defining, analysing, and explaining what exactly this “political will” is, how, why and when it matters, and how it arises or fails to arise. Or, as Jonathan Di John wrote, “while much of the applied literature acknowledges political obstacles as the root cause of low tax collection [...], there is no attempt to map which types of political obstacles matter more in some contexts as opposed to others” (Di John, 2006, p. 5).

Nonetheless, as we saw in the literature review, a number of strands of scholarship have put forward theories that more generally seek to explain the top-down weak enforcement of laws. Theories of “neopatrimonial rule” have argued that rulers, usually presidents, who concentrate power in their hand grant non-enforcement to clients or client groups, often based on kinship, origin or political allegiance (Bratton and van de Walle, 1997; Pawelka, 1985; Springborg, 1979; von Soest, 2007, 2010; Yanguas and Bukenya, 2016). Others have suggested that the power and influence of business interests best explain government behaviour in regulating the

economy (Best, 1976; Fairfield, 2015).<sup>259</sup> Yet others have emphasised the role of “risk avoidance” or “forbearance”, the former referring to the regime’s fear that enforcement could trigger popular resistance and the latter denoting deliberate non-enforcement, which in the case of Holland’s study has a redistributive rationale (Dorman, 2007; Holland, 2016). In the literature on Egypt, it has been claimed that the tolerance of illegal behaviour may be the result of a transition to a “social contract of informality”, which according to Harders denotes an “exchange [of] political demobilization, [...] for informal types of agency and participation”, replacing the old “authoritarian bargain” that entailed the promise of socio-economic inclusion in exchange for political acquiescence (Harders, 2003, 2015, p. 149). But Harders, and also Hibou tend to view non-enforcement rather as an unconscious by-product of a weak state rather than a deliberate “safety valve” provided by the regime (Harders, 2003, p. 209; Hibou, 2011, p. 144). Thus, there remains considerable ambiguity in the literature when it comes to the nature, mechanisms and motivations of (top-down) tax enforcement. How does non-enforcement concretely happen? For what reasons, and under which circumstances?

To answer these questions I will investigate the enforcement of tax laws in three particular empirical contexts: the collection of income taxes from civil servants at the source, the updating of valuations of agricultural land, and the fines and penalties in the collection of income and sales taxes. I again argue that distrust and the consequences of a broken but persistent populist social contract contribute to tax enforcement. More concretely, intra-state distrust for example manifests itself in the form of the MoF not trusting the tax administration to use coercive capacities appropriately, which can in turn lead to tensions with, and reform resistance by, the tax administration, as well as policies that limit its coercive power. Furthermore, due to a combination of fear of a popular backlash against an over-promising but under-delivering state and respect for historically-grown distributional commitments, government enforcement decisions in taxation reflect not just elite rent-seeking but also concern for “ordinary” Egyptians. Key Nasserist constituencies, such as farmers and civil servants, still have a large if diffuse

---

<sup>259</sup> See also the edited volume (Heydemann, 2004), and in it more specifically (Haddad, 2004; Kienle, 2004; Wils, 2004; Wurzel, 2004).

influence on the enforcement of tax laws. And although not all tax enforcement is deliberate, I explain that in several instances it is.

The first section of the chapter will discuss the case of collecting income taxes from civil servants at the source. The second section will focus on the enforcement of updated valuations of agricultural land. And finally, in a third section I shall study in greater detail the role of the top-level leadership in the tax enforcement of sanctions for non-compliance.

## 1. Taxing the state and its employees

In most developing countries, governments rely strongly on taxing their own employees for their income tax revenues. Civil servants, together with employees of the formal private sector, often constitute the key tax base for payroll taxes. Thus, among practitioners and in the tax literature, income taxes on civil servants – even more so than consumption taxes – are considered “easy” to collect. This is because the Egyptian state, like many others around the world, withholds the tax at the source, straight from the employees’ pay cheques. Looking at the taxation of civil servants therefore constitutes a good “most-likely” case that allows us to exclude the hypothesis that insufficient administrative capacity is responsible for potentially defective collection. Because where, if not with its own employees’ income taxes withheld at source, should the state be more successful? However, as I will try to show, in the Egyptian case, things are not so simple and collection of income tax from government employees is partially defective.

Detailed data on tax revenues by occupation is difficult to obtain and perhaps even more so to interpret in the absence of reliable information of how much exactly *should* be collected.<sup>260</sup> In FY 2009/10, it raised LE3.7bn in income taxes or 2.9% of total tax revenues<sup>261</sup> from the civil service payroll. However, the amount collected from private sector employees was three

---

<sup>260</sup> El-Gebaly provides two sets of figures for income taxes on wages (El-Gebaly, 2013, pp. 22–25): the general one, which according to him includes also stamp taxes on salaries, and one showing only the core part of the income tax. It is for the latter that he has data on how much is derived from the private sector, and how much from the public one. The ratio is 75% of income taxes are from the private sector, whereas 25% are from the public sector. Assuming that the ratio would be the same for the other components of the income taxes on wages, I extrapolated this ratio to the general figure.

<sup>261</sup> Excluding taxes on external rent income like hydrocarbons sales or Suez Canal revenues.

times higher. Much of the relative weakness of tax collections from public sector employees can probably be traced back to the skewed composition of wages in the civil service. As I explained in the previous chapter, until the recent civil service reform “special allowances”, bonuses that were decreed by the government on a yearly basis, represented the lion’s share of a civil servant’s take-home pay. These bonuses were tax-exempt, which they seem not to be in the private sector (El-Gebaly, 2013). Furthermore, the wages of public sector employees do not go beyond a certain legally determined pay scale, whereas private sector wages are determined by the market and it is likely that a fairly small share of high earners is responsible for a significant part of the total income tax revenue. Based on an estimated six million people on the government payroll, the LE3.7bn collected in 2009/10 would translate into an average tax liability of LE617 per head. Taking into account the aforementioned wage structure and the fact that many civil servants in 2009/10 would have paid no or very little income tax, the figure seems low but not completely shocking.

A former mid-level tax employee familiar with the matter provided me with further data.<sup>262</sup> The informant explained that of the LE27.5bn of budgeted payroll tax revenues for FY 2015/2016, LE7bn are paid by government employees.<sup>263</sup> According to official MoF figures, Egypt’s civil servants were paid incomes of LE218bn, which would mean that on average, public officials paid an average rate of 3.2% in income tax. As I explained above, this low figure is, of course, on its own not sufficient proof that government employees are being undertaxed. But even without a real point of comparison the figure seemed low, which is why I pressed the tax collector for an explanation. He replied:

“They [the government institutions] just pay what they want. [...] With a lot of government employees what they would do is make sure that they stay in the 10% bracket instead of them moving to the correct 15% or even 20% income tax brackets.”<sup>264</sup>

How government agencies “make sure” that people stay in certain tax brackets is not entirely clear. It could be by adapting the payment of salaries

---

<sup>262</sup> Interview with tax collector 13, 26 August 2015.

<sup>263</sup> Ibid.

<sup>264</sup> Ibid.



through tax-free bonuses, but it could also be through misreporting or other breaches of the rules. In any case, even the former could have been illegal at the time of fieldwork. Indeed, based on a recent report on the new civil service law, which was supposed to result in a ratio of base salary-to-bonuses of about 80% to 20%, it seems that some institutions are not following the law and keeping higher ratios of bonuses (Gad, 2016, p. 26). Whatever the detailed arrangements, there are strong indications that not enough taxes are withheld from the civil servants' salaries.

But there is even more conclusive evidence that the collection process does not work effectively. Based on interviews and press material, this is not the case. On Wednesday, March 11<sup>th</sup> 2015, the privately-owned daily newspaper *El Watan* was coerced by unknown state officials into changing the front page of its edition before it could be printed.<sup>265</sup> However, online, a screenshot of the front page was available and the teaser for the story (which could not be accessed online) at the top of the page read:

*“El Watan unveils the catastrophe with documents. Egypt is looking for every penny. And the government wastes billions. 13 sovereign entities don't pay their employees' taxes. The presidency, the intelligence services, the Ministry of Interior and the Ministry of Defence at the forefront of the evaders. The losses reached LE7.9bn. And the Ministry of Finance: “Don't stir up the hornet's nest”.”*<sup>266</sup>

A newspaper article further quotes *El Watan* reporters saying that upon asking for further details from senior Ministry of Finance officials, they were told that this was “not their business and not to ask again”.<sup>267</sup> The documents were leaked by an employee of the Egyptian Tax Administration. I was not able to interview this particular source, but a few months later I met the aforementioned former mid-level tax employee who came forward with a similar story, and whom I was able to interview, first together with an Associated Press journalist, later again alone.<sup>268</sup> A year and a half later, it was the former minister of finance Youssef Boutros Ghali himself who

---

<sup>265</sup> <http://www.madamasr.com/news/al-watan-report-tax-evasion-state-institutions-censored>

<sup>266</sup> Own translation based on screenshot of the aforementioned press article.

<sup>267</sup> <http://www.dailynewsegyp.com/2015/03/14/newspaper-stopped-at-print-over-corruption-report/>

<sup>268</sup> Interview with tax collector 13, 26 August 2015.

confirmed that in practice collection of income taxes from civil servants was resisted. During his time in office, the problems seem however to have been was mainly concentrated in the interior and justice ministries:<sup>269</sup>

“They wanted more money. And they figured they could get away with so they did it. In my case they didn’t because I stopped disbursing salaries at the source. Because they had to take their salaries every month. When I saw they were not withholding the tax I stopped the salaries. They screamed, they said I was a traitor...

M: That was with what ministry?

YBG: Justice. I said OK, no money.

M: And then they started collecting the money?

YBG: They threatened to put me in jail, threatened to put any tax collector that came to collect the tax in jail. And they could. They were judges. [...] But you need to be forceful. If they feel weakness they will exploit it. The judges say I’m not paying any tax, I need more money. Anybody comes, I’ll jail him. Nobody went. When I stopped the money, they screamed. We’re going to jail the minister of finance. I said ‘OK, show me’. ‘Ah well, OK, ...’ and they paid. But my successor... I did reckless things. I should have been more careful (laughs).”

Thus, for quite some time a number of government institutions have been attempting, more or less successfully, not to collect or transmit the required taxes on their employees’ wages to the tax authority. How can we explain this?

Somewhat akin to what I discussed in Chapter 4, intra-state distrust and the fragmented nature of the Egyptian state are one important aspect to take into consideration. In republican Egypt, political dynamics and fiscal trends resulted in an extremely centralised, but horizontally extremely fragmented, state with high levels of autonomy for individual institutions, giving them more power to refuse co-operation with other entities (Soliman, 2011, pp. 76–96). Levels of rivalry and distrust are just as notoriously high as levels of co-operation are low (Ayubi, 1989, pp. 70–71; Sullivan, 1990). Historically, also often duplicated institutions for strategic and political reasons, with the intention of stimulating competition and activism for a similar goal and/or to divide potential rivals for power (Ayubi, 1980). Dysfunctional,

---

<sup>269</sup> Another possibility is that he doesn’t recall all government institutions who behaved in such a way, or that he didn’t want to name all of them.

unsuccessful, or obsolete<sup>270</sup> government agencies were usually not shut down or removed, due to the great difficulty of renegeing on commitments to safe, life-tenured public employment. Thus, ministries, agencies, SOEs, and other entities are not as easy to control for the government despite high degrees of geographic centralisation. As we saw with Youssef Boutros Ghali's quote above, in this environment the individual political influence and power of top-level officials such as the minister of finance certainly also determines to what extent collection can be effectively enforced. In post-coup Egypt, it seems as the Ministry of Finance is lacking a leader with sufficient political clout within the regime to assert the authority of the ministry over other ministries and a political leadership willing to back up such a course of action.

This means that we should see the non-collection of payroll taxes within the broader context of regime insecurity or what Dorman called "risk avoidance" (Dorman, 2007). As I mentioned in previous chapters, Egypt has a history of strong government sector mobilisation that has been the origin of significant regime-threatening popular uprisings. In 1986, the poorly paid conscripts of the riot police *el Amn el Markazi* (Central Security) rioted in Giza. In the run up to the revolution, the real estate tax collectors fought for equal pay with ETA staff, and founded the first independent labour union in the country since Nasser had corporatised and co-opted labour representation. This mobilisation is widely seen as an important precursor of the 2011 uprising (Beinin, 2011; Joya, 2011; Lesch, 2011). It is therefore plausible that after the revolution is much keener on preventing such developments. Wage increases directly after the revolution seem to confirm this.<sup>271</sup>

In addition, the president and other top- government figures know that while they may be in charge, their effective power and the durability of the regime rests on the acquiescence of key organisations and groups. After 2013, the dependence of the government on the security apparatus and the judiciary to protect itself from challenges became even higher. To be sure, the

---

<sup>270</sup> In the wake of the transition from a state-planned to a more market-based economy, a number of state institutions became less relevant, such as the ministry of planning or the ministry of supply.

<sup>271</sup> "Egypt's Public Salary Bill Soars", Financial Times, 18 April 2013. <https://www.ft.com/content/16ab0414-a830-11e2-8e5d-00144feabdc0>

new government certainly enjoyed a certain popularity, in particular around the time of the coup itself, but the brutal repression of the following years as well as the growing influence of the army in administrative and economic affairs indicates a clear power shift in favour of the security apparatus (Roll, 2016).<sup>272</sup> This dependence was to the detriment of the civilian economic ministries which were more powerful during the 2004-2011 phase when they were led by reform technocrats with close ties to powerful presidential hopeful Gamal Mubarak, the son of the then president (Brownlee, 2007; Zahid, 2010). These developments can help explain why it is possible that after the coup many more ministries than simply the ministry of justice were able to successfully mount resistance against greater extraction. The regime of el-Sisi, despite its more repressive nature than Mubarak's, therefore seems to rest on a shakier and narrower base than perhaps assumed.

The regime insecurity is likely to be reinforced by the knowledge that the social contract between the state and its employees came under severe strain in recent decades, as I discussed in previous chapters. After decades of decline in social status, the relative deprivation of civil servants is such that governments are under constant pressure to address historically-grown expectations in terms of providing secure and decently paid jobs. But if the people responsible for not remitting taxes – presumably leading actors within these government institutions – are ready to take these steps, it is, on the one hand, out of self-serving financial interest, but on the other also because most groups of civil servants whether it be policemen, judges or tax collectors, often view themselves as underpaid and not sufficiently valued, given the important function they have for the Egyptian state.

The consequences of such practices for the credibility of the government and the wider willingness of taxpayers to pay their taxes can, of course, be disastrous. As the former ETA manager whom I interviewed about government tax evasion pointed out:

“Who are the first people who should apply the law? The government. And so the judges should apply that on themselves. But no... no... not here! As long as there is this injustice, things won't change.”<sup>273</sup>

---

<sup>272</sup> See also Foreign Policy, 28 January 2016, “The Army and Its President” <https://foreignpolicy.com/2016/01/28/the-army-and-its-president-egypt-sisi/>

<sup>273</sup> Interview with tax collector 13, 26 August 2015.

In this subsection, I tried to show how tax collection is not effectively enforced in the context of the collection at source, despite the availability of administrative capacity. In the context of the increasingly fragmented state of the post-2013 order, distrust between institutions, politically induced leniency, and a history of broken promises made it difficult for the tax administration, or by extension the Ministry of Finance, to enforce tax demands on key government institutions. In the following section, based on the case study of the agricultural land tax update, I shall focus more specifically on how certain Nasserist legacies still constrain enforcement today.

## **2. The agricultural land tax update**

Unlike government employees, the agricultural sector is typically considered “hard-to-tax” (Alm *et al.*, 2004; Bahl, 2004; Keen, 2013). In a number of large-*n* studies of determinants of tax revenue, the share of agriculture in GDP is found to negatively correlate with the tax-to-GDP ratio. Most experts, practitioners, and scholars, however, explain that agriculture is difficult to administer due to logistical concerns and limited staff; because it is home to self-employed people who are more prone to evasion, is “informal”, is insufficiently monetised, causes high tax collection transaction costs, and/or requires high institutional quality to bring under control (Chaudhry, I. S. and Munir, 2010; Cheibub, 1998; Khan, 2001; Thies, 2010; Torgler and Schneider, 2007). But is agriculture really so hard to tax? Is the agricultural land tax so challenging even though Egypt and many other developing countries relied on this form of taxation for centuries, when tax administration was technologically less sophisticated? Some authors have recognised that governments legally grant the agricultural sector generous exemptions for “political reasons”, but by that usually mean that the protection or influence of landowning elites is the key factor behind that (Bird *et al.*, 2006; Chaudhry, I. S. and Munir, 2010; Keen, 2013; Khan, 2001). In Egypt, I argue, the problem seems not to lie in the limitations of the real estate tax authority but rather in the unwillingness of the government to touch particular constituencies in the agricultural sector, and *not* first and foremost wealthy elites.

In Egypt, visible agricultural taxation is limited mainly to the agricultural land tax. Income from most agricultural activities is tax-free.<sup>274</sup> The agricultural land tax is one of the three taxes collected by the RETA (the other two are the tax on built property and the tax on entertainment facilities). Its base is the annual rental value of the land, on which a rate of 14% is due. Owners of land smaller than 3 *feddan* (approximately 3 acres or 1.25ha) are exempt from paying the tax. In 2005, about 80% of Egyptian farmers owned less than 3 *feddan*, and it is unlikely that this percentage has changed much in recent years (Mayfield, 2012). The law stipulates that every 10 years, the RETA has to proceed to a re-evaluation of the annual rental value.<sup>275</sup> However, in practice, as I have shown in Chapter 2 already, these updates often did not take place, resulting over time in tax liabilities well below what they should be. In 2013, the minister of finance of the interim government, Ahmed Galal, said that an update of the rental value “hadn’t been done for 25 years”.<sup>276</sup>

The reason why the agricultural land tax was not updated does not lie mainly in a lack of surveying or evaluation capacity of the RETA, for example that the tax authority does not have the appropriate capacity in terms of staff, resources, or expertise to carry out the assessment. To be sure, a consultant who worked on technical assistance for the RETA did acknowledge problems in terms of overstaffing.<sup>277</sup> However, I would argue that non-enforcement is, above all, a deliberate political decision caused by the persistent but broken populist social contract. The government wants to protect a key constituency, in this case small and mid-sized farmers. On the one hand, for fear of political repercussions from their disgruntlement, but on the other also because it recognises their historically important and symbolic, and yet in reality very place in society.

To begin with, I was quite surprised to find out that the description of the problem, namely that the valuation of the tax base had not even been

---

<sup>274</sup> Article 43, Law 91/2005. Historically, in Egypt and elsewhere in the world, farmers have often been subject to a number of undeclared, “invisible” taxes such as government marketing monopolies, fixed prices, unfavourable exchange rates, etc., some of which may still affect them. However, these will not be discussed further here.

<sup>275</sup> Law 196/2008. This was also the case under the previous law.

<sup>276</sup> Interview with Ahmed Galal, 8 April 2014.

<sup>277</sup> Interview with consultant 3, 4 February 2014.

done, was in effect inaccurate, at least in recent years. According to both a RETA tax collector whom I interviewed in 2014 and a press article, the new valuations were completed and were in fact ready to be used.<sup>278</sup> Former minister of finance Youssef Boutros Ghali later explained that in earlier years it really had not been carried out, but confirmed that a re-evaluation was indeed done by the RETA in 2010.<sup>279</sup> However, the president did not want the update to take effect:

“The president said: push the tax, I don’t want the hassle now. [...] because all presidents did not want to upset the population. So anything that upset the population they postponed. Taxes they postponed. Removing energy subsidies they postponed. Reducing [...] wasteful subsidies on food etc., they postponed. Anything that touched the population they postponed. That was the reason.”<sup>280</sup>

Sometimes, re-evaluations were legally delayed. In the early 20<sup>th</sup> century it was agreed not to re-evaluate for 25 years. But as the non-enforcement of the update shows, it can also happen through ad hoc decisions of the executive. This echoes findings by Ahmad et al., though in their case they found that the failures to update were often due to conflicts between different levels of the state apparatus, or the willingness of a wealthy politician to protect his estate, rather than the protection of social/political constituencies (Ahmad *et al.*, 2014).

Former minister of finance Medhat Hassanein, in his response to the question of why the update did not happen under his watch in the years before Youssef Boutros Ghali became minister, seems to have been particularly concerned about the group of landholders who own between 3 and 5 *feddan*:

“This is a very [tricky] area and very hard to reform. [...] You have lots of small landholders with 3-5 feddans. You of course also have businessmen who bought 100 feddan of government land or so. But for those small farmers it’s very costly to look at them, and it was not effective anyway.”<sup>281</sup>

---

<sup>278</sup> Interview with tax collector 3, 22 February 2014.

[http://www.rosaeveryday.com/News/190189/-](http://www.rosaeveryday.com/News/190189/)

<sup>279</sup> Interview with Youssef Boutros Ghali, 1 March 2017.

<sup>280</sup> Ibid.

<sup>281</sup> Interview with Medhat Hassanein, 14 April 2015.

In 2005, owners of land between 3 and 10 *feddan* represented about 15% of Egyptian landowners (Mayfield, 2012, p. 271).<sup>282</sup> However, as Hassanein correctly said, in absolute numbers they still represent a large number of people (in 2005, an estimated 375,000 farmers). In addition, the farmers may own more than the vast majority of Egyptian peasants, but this does not make them wealthy, at least not in national comparison. These mid-level farmers were, in 2005, more likely than others to also hire workers from outside the family, to own instead of share a water pump or a tractor, and to own a mobile phone. But by urban Egyptian standards, they are likely to be considered lower middle class. Hassanein, and others such as the secretary general of the Union of Agricultural Cooperation (a farmers' association), also pointed out that bigger landowners often rent land to smaller ones or to landless peasants, meaning that an increase in their costs could be passed on the tenants (and eventually consumers).<sup>283</sup>

Thus, although social concerns seem to be “taken care of” by virtue of the exemption threshold, the government does have reasons to believe that an update of the valuation could impose potentially non-negligible financial burdens on the rural middle classes. The aforementioned RETA consultant also thought that “political considerations are never far [away]” and that it was “legitimate for a government not to burden their citizens too much”.<sup>284</sup> Whether the government is genuinely concerned about equity, or whether it fears the political mobilisation (via protests, withdrawal of support, etc.) of the peasantry is not easy to determine. The 2000s were a period of social unrest and, in particular in the second half of the decade, the country witnessed a clear spike in street protests and other forms of popular mobilisation, usually related to labour or other socio-economic concerns (Chalcraft, 2016; Joya, 2011; Kienle, 2012). After the revolution, the fear of protests may have become even stronger. On the other hand, popular protests have been more strongly concentrated in urban settings throughout the country, and a clear majority of peasants would not have been directly affected by the

---

<sup>282</sup> Given the unequal distribution of land, one can therefore assume that perhaps 10% of landowners own between 3 and 5 *feddan*.

<sup>283</sup> Interview with Medhat Hassanein, 14 April 2015. <http://www.dailynewsegypt.com/2014/01/19/agricultural-tax-rates-to-remain-the-same-actual-taxes-could-increase-according-to-land-value-ministry-of-finance/>

<sup>284</sup> Interview with consultant 3, 4 February 2014.



implementation of updated rental values. What seems fairly certain, however, is the continued significance of Nasserist legacies on institutional, strategic, and ideological levels.

As I shall explain below, co-opted corporatist associations speaking for farmers are, despite their lack of representativeness, still powerful actors. Despite the obvious shift to a much more liberal economy, the legacy of a historical commitment to the interest of the Egyptian peasantry seems to still matter to present-day ruling elites. And despite accounts of shifts in power bases from more traditional constituencies towards a new elite of businesspeople (Soliman, 2011), the important middle segment of rural society described by Binder or Brown seems still to be of strategic interest to the government (Binder, 1978; Brown, 1990).

This could also be seen after the 2011 revolution. In 2012, the ruling Supreme Council of Armed Forces (SCAF) decreed that the old valuations should still be used for another two years. In January 2014, interim minister of finance Ahmed Galal attempted to enforce the update of the tax base. This time the president (interim president Adly Mansour) had not intervened *ex ante*. The media quickly relayed talk of an increase of the agricultural land tax in the shape of higher marginal rates. By relying on the technicality of the fact that the move was neither a tax increase nor a new tax, but only the implementation/enforcement of an existing law, the government tried to defuse the situation, but the media had already stirred up concern and confusion among the public and triggered resistance from farmers and their corporatist associations.<sup>285</sup> The latter quickly called for keeping the current tax base valuations, while the government was, like in the case of the real estate tax reform, not able to manage the effect of its earlier announcements properly. In the end, the minister backtracked, stating that “no decision would be taken without societal dialogue with the farmers and landowners”, all the while calling for citizens to “co-operate with the government”.<sup>286</sup> When I interviewed him in April 2015, he too put forward the need to consider the

---

<sup>285</sup> The ministry of finance acknowledged that the maximum tax could rise from LE42 to LE300 per *feddan* after the valuation update.

<sup>286</sup> <http://www.shorouknews.com/news/view.aspx?cdate=22012014&id=7ecef54e-dba7-42e7-ab25-886f51849501>

burden one would impose on lower echelons of society as well as the wider impact on the political stability of the government:

“There is of course a conflict between generating revenue and the need to consider the underprivileged groups, so equity concerns are always there. I had many consultations with representatives of farmers. [...] All governments, past ones including my own, the present one and future ones, always have to strike a balance between the desirable policies and political stability, and every government will have its own definition of political stability. It will depend on the social contract [...].<sup>287</sup>

The backtracking is likely to have further frustrated real estate tax authority employees, like the real estate tax collector I interviewed who vehemently disagreed with the caving in of the government in this and other instances, arguing that social concerns were taken care of through the exemptions and the low final tax liabilities. Egyptian newspapers reported a meeting between the minister of finance and farmers representatives, but the talks were postponed without a final decision, and a few weeks later Galal was replaced as the head of the MoF.<sup>288</sup> In 2017, the Egyptian parliament, which was elected in late 2015 and in which forces loyal to el-Sisi dominate, announced a three-year suspension of the entire agricultural land tax. The 2015 election had in many ways been a return to *ancient régime* parliamentary politics, with its characteristically low turnout driven mainly by local – often rural – clientelist politics. It therefore does not come as a surprise that the new parliament was, in its broader political orientations, fairly similar to earlier republican assemblies, who typically, despite all economic liberalisation and “crony capitalism”, still professed and defended at least some aspects of the Nasserist pro-fellahin and pro-civil servants canon. For the first year and a half of el-Sisi’s presidency, he ruled by decreeing laws, which were later supposed to be reviewed by parliament within 15 days of its first session. It is interesting to note that the only one of the many decreed laws that parliament did reject was the civil service reform. This was to introduce more performance-oriented promotions and bonuses, but also reform the pay structure and limit annual salary increases to levels below common levels of

---

<sup>287</sup> Interview with Ahmed Galal, 8 April 2015.

<sup>288</sup> It is not entirely clear what became of the suggested update. It was submitted to the Prime Minister for signing, but I could find no report of that actually happening.

inflation. It was later passed in a version less prejudicial to civil servant interests.

Thus, while large landowners also benefited from the lenient implementation and later suspension of the land tax law, a key motivation behind non-enforcement seems to have been the political – ideological and strategic – decision to protect the rural middle classes. Historically the beneficiaries of Nasser’s land reforms that decimated the old landed elite, they were one of the early social bases the new regime was built on (Binder, 1978). The historical continuities in terms of the political economy of tax collection (and economic policy more generally) are therefore much deeper than commonly assumed (Amin, 2011).

In quantitative cross-country analyses, the share of the agricultural sector in the national economy is often put forward as a factor partially explaining lower levels of revenue mobilisation. Explicitly or implicitly, the argument made is typically that agriculture is *logistically* “hard-to-tax” as the expression goes. But, in the Egyptian case at least, it may not so much be the “infrastructural power” or “administrative capacity” that explains why the sector is “hard-to-tax” but rather the historical political weight of agricultural constituencies. This argument has been made before by Michael Keen, who argued that if agricultural taxation is often weak “this is often not because the sector is intrinsically hard-to-tax but because of its political clout” (Keen, 2013, p. 18). However, what he and others usually mean is that, as in the case of Latin America where wealthy landholders resist taxation, government fail to tax out of reluctance to confront the wealthy, not the poor and ordinary citizens (Best, 1976; Keen, 2013).

### **3. Non-enforcement of fines**

Despite repeated declarations by high level officials claiming that non-compliance would be strictly punished,<sup>289</sup> the tax administration and the MoF hardly ever used the “stick”, at least not in a comparable way to the “carrot”.

---

<sup>289</sup> One example among many is, for instance, former ETA commissioner Mamdouh Omar’s statement that “tax evaders will be prosecuted”. <http://www.egyptindependent.com/news/authority-pursues-le20-bln-late-taxes>

As I explained in Chapters 1 and 3, and as I shall return to further below, there are clear deficiencies in the implementation of sanctions for non-compliance. Repeatedly, ordinary tax collectors, mid- and top-level officials, former ministers of finance, or consultants to the ministry have told me or otherwise publicly stated that a number of sanctions are effectively not in use.<sup>290</sup> Only in rare cases have I found indications for the implementation of fines and penalties, such as when the head of a local tax office told me that interest was compounded and added to the tax liability for the late remittance of sales taxes.<sup>291</sup> But by and large, there is an abundance and great diversity of sources indicating that the enforcement of fines and sanctions is clearly deficient, in particular when it comes tax return filing and bookkeeping offenses, as well as the imposition of jail sentences. And again, this is despite announcements made in the wake of the 2005 income tax reform that the state and the tax administration would now be tough on the non-compliant.

In this section, I shall try to explain why this was the case. In Chapter 3, I studied enforcement issues from a micro-level perspective. But what is the role of senior tax and MoF officials in the low use of the state's coercive apparatus for tax purposes? More specifically, I shall look at the penalties for tax evasion, for not filing a tax return/not filing on time, and for not issuing proper invoices to customers.

One explanation that was given by some by former ministers is that they do not have the administrative capacity to act. Boutros Ghali, for example, explained that he lacked inspectors to do check-ups on people who did not comply with bookkeeping and invoicing rules, that the idle staff were not qualified to do these jobs, and that in general you cannot control everything or check everybody.<sup>292</sup> However, it is doubtful whether this is really the full picture and this seems to be, at least in part, a straw man argument because random checks would already suffice. Other fields of state regulation or state-society relations also do not require much personnel or to conduct checks of every potential person who could deviate from the law to enforce it.

---

<sup>290</sup> Interview with tax collector 15, 29 September 2015; Interview with tax collector 16, 24 January 2016; Interview with Youssef Boutros Ghali, 14 March 2017; Interview with consultant 1, May 2010; Interviews with tax collector 13, 24 and 26 August 2015; Interview with tax official 2, 29 September 2015.

<sup>291</sup> Interview with tax official 3, 30 May 2012.

<sup>292</sup> Interview with Youssef Boutros Ghali, 1 March 2017.

It would not occur to an Egyptian minister of the interior to stop having some police officers carry out random checks of whether people are wearing their seat belts just because it is physically impossible to inspect every car on the streets.

I would argue instead that one aspect explaining why Youssef Boutros Ghali and his successors did not keep their promises or public claims of being tough on tax evaders is again intra-state distrust. For Boutros Ghali, the priority and purpose of changes he implemented with respect to the way taxes are collected lay not solely, and perhaps not even mainly, in curbing misbehaviour among taxpayers. Instead, his objective was to fight misbehaviour among tax officials. This is best exemplified in one of his more recent statements during a television interview in 2017: “My pressure was first on the tax administration before it was on the taxpayer!”<sup>293</sup> Part of this is the result of the perception by ministers themselves of the tax administration as a predatory authority which uses the threat of penalties and sanctions to blackmail people. Boutros Ghali for example explained: “The tax administration was the predator and you were the prey. They catch you and then they squeeze as much as they can from you and then they let you go.”<sup>294</sup> This shows again the influence on citizens’ and state officials’ present-day perceptions of a legacy of arbitrary and coercive treatment of people by the tax administration that I described in Chapter 2.

Concretely, this affects the enforcement of tax laws in a number of ways. One is a “legal” weakening of the administrative coercive arsenal. In Chapter 3 I discussed the shift to a “trust-based” collection process in which the tax administration loses much of its power and dominant position in tax relations. Another indication of this is the fact that under Articles 137 and 138 of Law 91/2005, criminal prosecution of tax evasion is impossible without the approval of the minister of finance, who also has the legal authority to “reconcile” evasion cases in exchange for the payment of between 5%-80% of the evaded amount on top of all tax debts, depending on the gravity of the offence. Initially, I believed that these articles were a way of making sure that

---

<sup>293</sup> Own translation of interview with DMC channel, published 1 March 2017, <https://www.youtube.com/watch?v=jrOq8mGtTUI&feature=youtu.be&t=4665>

<sup>294</sup> Interview with Youssef Boutros Ghali, 14 March 2017.

no key regime ally, or worse a member of the regime itself, would end up in front of a judge. And this may very well have been the case. However, the distrust Boutros Ghali had for the tax administration, informed by his personal – and not uncommon – perception of an arbitrary and predatory tax authority squeezing businesses, may have also played an important role:

“[...] this was an article that I introduced. Because previously the tax authority would... the tax authority would ask you for money, give me a couple of million. If you refuse, [they] would send you to the prosecutor general. Even if you had done nothing, the prosecutor general would start investigating and they call you in and [...] your life becomes hell for 2-3 years. So I said no. Anybody wanting to refer tax evasion to the prosecutor has to send it to my office. I have to approve it first. And I had a group, a committee and looked at the reason why they were sending, and said yes this looks like there is truly evasion. So I asked to take out this source of corruption from the tax inspector.

M: So it was basically to take power away from the tax administration?

Exactly, take power away from the tax administrator so he couldn't use it to blackmail people for money.”<sup>295</sup>

In another similar sign of distrusting the tax administration's actions, the former minister explained in a televised interview that he made sure to increase the level of evidence needed and shift the burden of proof much more to the tax authority for cases of suspected tax evasion.<sup>296</sup> In other words, Egyptian ministers of finance do not necessarily seem to be actively working to build the coercive capacity of the tax administration, but perhaps rather to weaken it. This is more generally indicative of the distrust and the struggles that often characterise the relationship between the higher echelons of the tax administration and the Ministry of Finance. Talking about the advertising campaign he organised to publicise the income tax reform of 2005, Boutros Ghali said:

The ads were very successful and I had the tax authority admit that they had been corrupt. And they got very upset. I had one of the ads saying somebody comes in with a suit and a tie and say in the old days I used to take money to clear your business. Today I don't do this anymore. You have to be honest like I have to be honest. Things like

---

<sup>295</sup> Ibid.

<sup>296</sup> Own translation of interview with DMC channel, published 1 March 2017, <https://www.youtube.com/watch?v=jrOq8mGtTUI&feature=youtu.be&t=4665>

that. The tax authority got very upset, “what do you mean you call us crooks?”. I said you are crooks.<sup>297</sup>

At times, it seems like the upper echelons of the tax administration actively fought ministers they did not approve of, sometimes with tough methods.

Boutros Ghali remembers that:

“[The previous minister] was fearful. He feared the bureaucracy. His predecessor ended up in jail. Accused by the customs authority, as it turns out later, falsely! He was accused by the customs authority of having squandered customs revenue. It proved false but it took four years to prove. So [he] was fearful, he did whatever the bureaucracy told him.”

These sort of actions on both sides not only reflect intra-state distrust, they also contribute to reinforcing it. The policies that follow from this can then lead to a weakening of the coercive capacity of the tax administration.

But beyond this weakening there still remains the question of why the nonetheless existing coercive capacities are not being used. Dominant norms of leniency seem, like I described in Chapter 4, again be intertwined with regime security and moral economy concerns. Former ministers of finance I have interviewed have all told me that they do not usually see it as part of their role to jail people but see themselves rather as individuals who work above all for the economic development of the country, and also for the adequate financing of state expenditures.<sup>298</sup> Most of them view themselves as a minister for the economy and as responsible for economic development, including for the benefit of the poor. They believe mainly in positive incentives, in “voluntarism” or that “you cannot force people to do things”.<sup>299</sup> A former head of the ETA, when asked why sanctions like administrative detention were not used in the case of companies which wouldn't pay back tax arrears, said: “I am convinced that a tax which closes a business is a tax that failed. We want the taxpayer to comply voluntarily, and that's the philosophy of the income tax law number 91 of 2005, this applies also to the sales tax”. In a way, this echoes the moral economy of small

---

<sup>297</sup> Ibid.

<sup>298</sup> Interview with Ahmed Galal, 8 April 2015; Interview with Medhat Hassanein, 14 April 2015; Interviews with Youssef Boutros Ghali, 1 and 14 March 2017.

<sup>299</sup> Interview with Ahmed Galal, 8 April 2015.

entrepreneurship I touched upon in Chapter 3. Just like tax collectors, the tax administration and MoF leaderships may not be willing to apply the letter of the law if this means severely hurting or destroying the livelihood of Egyptians. Former minister of finance Medhat Hassanein has been quite sympathetic towards suspected tax evaders, arguing that the vast majority of them made honest mistakes and should simply be allowed to make up for it:

“The minister of finance should not put everyone in jail. Even with the cases we had, and we had every month a hundred-and-something cases or so, and I had the case files brought to me and I told them to sit together after working hours with the businessmen and tell them that there is a problem and that they have an opportunity to settle the problem, and if not we take legal action. You know in 80% of cases they were deceived by their accountants, by their auditors. And they did not realise that they were in danger and that they were responsible because they are the taxpayers, because their accountants said, “oh you cannot report this”, “leave that blank” or “underreport that”. But after that they would definitely have another look and come back and I told the people at the TA keep the file on hold if he comes back, if not pass it on to prosecution. Ninety percent made a mistake and make it up, so going with the way of the attorney general is only meant to be as an option of last resort.”<sup>300</sup>

Norms of leniency, of “reconciliation”, and of negotiated exits from difficult situations, such as the ones I described in Chapter 4, seem again to be pervasive, even at the highest level of the state. To be sure, in developed countries, too, jail sentences in tax evasion cases are rather exceptional in terms of the percentage of total evasion cases. However, in many developed countries, courts sentence several hundred citizens to jail each year, among them many “ordinary” people.<sup>301</sup>

The situation is not much different when it comes to applying milder sanctions to a larger number of people.<sup>302</sup> The law provides for fines of between LE2,000 and LE10,000 for failing to “file an activity commencement notice”, to “file a tax return” or to “apply the system of deduction, withholding,

---

<sup>300</sup> Interview with Medhat Hassanein, 14 April 2015.

<sup>301</sup> In the United Kingdom, in 2015, 220 evaders were sentenced to jail. The number is up from previous years, but the average length of sentence has declined. According to an article by the *Financial Times*, this dual trend is due to the fact that the government prosecutes more and more “marginal cases”. <https://www.ft.com/content/5d58f0e2-0788-11e5-a58f-00144feabdc0>

<sup>302</sup> The situation in other developing nations depends on the country, but overall problems with imposing fines and sanctions on broader sectors of society seem to be relatively common.



collection and remittance of the tax by the legal dates”, as well as for failing to produce “books, documents and deeds” to the ETA upon request.<sup>303</sup> The fines are doubled if the offence is repeated within a three-year period. Fines of LE10,000 are applied if any legal person, or a natural person with either invested capital of LE50,000, annual turnover of LE250,000 or a previous annual profit of LE20,000 does not keep books and records according to the executive regulations.

But the fines stipulated in law 91/2005 also seem to be rarely collected. In the first years, former minister of finance Youssef Boutros Ghali admitted this was a deliberate transition policy:

“We did not implement it the first two years. Because people were not used to it, filing, etc. They were used to waiting for the taxman to come and say okay we are going to review your taxes and we are going to settle. They did not know that by April such and such, they would have to file. So the first two years we didn’t fine. After that, we implemented the fine. It may have fallen into disuse after the revolution but initially no, you paid a fine. It was not a large fine, but it was a fine.”<sup>304</sup>

But tax collectors and consultants say that these fines were not collected even in later years, including before the 2011 revolution.<sup>305</sup> A tax collector from Helwan, in the South of Greater Cairo, explained, for example: “Because since after 2005, there is no fine for non-filing of a tax return. The article [...] is not applied.”<sup>306</sup>

Anecdotal evidence from the former head of the ETA seems to confirm this and indicates that the leadership of the tax administration were probably also aware of poor enforcement of these fines. A short live TV report, which was later published on YouTube, shows that among the tax commissioners there was no strong appetite to focus on enforcing sanctions, or at least not to appear as such. A journalist interviewed the tax commissioner live at a local tax office that he was visiting on the occasion of the last day of the tax season in March 2013 (March 31st is the deadline for individuals). The former commissioner, Mamdouh Omar, was in a joyful mood and lauded the new

---

<sup>303</sup> Articles 96, 135 of Law 91/2005.

<sup>304</sup> Interview with Youssef Boutros Ghali, 14 March 2017.

<sup>305</sup> Interview with consultant 1, May 2010.

<sup>306</sup> Interview with tax collector 16, 24 January 2016.

enthusiasm and patriotism of people who came and paid their taxes after the revolution. He said that tax offices would work extra hours and that people would be able to submit until later in the evening. Towards the end of the interview, the journalist enquired also about the fines for late filing. The commissioner said that he “doesn’t want to scare anybody” and encouraged everybody to file today. After the journalist pressed him again, he made an annoyed face, looked away and said ‘yes, there is a supplement’ and after a further question from the journalist said it’s “LE2,000, I think...”, still clearly unhappy about having to talk about this now, and not giving the impression that this rule, which is formally “on the statute book”, actually finds any sort of application.<sup>307</sup>

Another tax collector, from one of the Canal cities, reported similar things. He said that the law was not applied for several years, until in late 2009 and early 2010 they tried to implement it for “two or three months”, but “people [taxpayers] opposed it”.<sup>308</sup> Unfortunately he was not more specific than that. If his account is accurate, then what I suspect happened is that the imposition of fines led to a backlash by affected taxpayers who protested against these decisions, which they must have perceived as deviation from the common practice that Boutros Ghali described above, which had never before included the application of fines of several thousand pounds for not filing a tax return. According to their expectations, not filing a tax return would typically lead to a presumptive assessment and pave the way for a negotiated solution. In other words, the most likely thing is that people rejected a sudden shift from norms of negotiability of mutually acceptable tax liabilities to a strict application of the letter of the law.

For offenses against bookkeeping and invoicing regulations, the situation is again quite similar. Under Boutros Ghali, the law criminalised some of these offenses and fines should have followed. But a tax official I interviewed at the ETA headquarters explained that

“Yes, it is illegal. But we cannot impose this on the taxpayers.

M: Why not?

[laughs] You can ask the minister. It is our responsibility but you cannot impose this. There was recently this other case with Zamalek

---

<sup>307</sup> <https://www.youtube.com/watch?v=LZ2dTUgW3VQ>

<sup>308</sup> Interview with tax collector 15, 29 September 2015.

SC [one of Cairo's two major football clubs], because it was high profile and you had the media and others they ended up paying much less.

M: But can't you control this, do inspections?

The tax officer cannot prove that there were more transactions than those that were documented. And there cannot be a tax officer in every shop. And also the public does not ask for receipts."<sup>309</sup>

The perceived impossibility of enforcing the law is not explicitly explained. But I suspect that some of the mechanisms I discussed in previous chapters are at work. I would, for example, speculate that ETA management, either at the mid- or top-level, understand the potential problems this could create with respect to creating visible and vocal "trouble" for the government (e.g. citizen dissatisfaction, complaints, media reports, popular protests etc.). The historically-built norms of avoiding initiatives that could potentially result drawing negative attention to oneself could be an important factor. Top-level bureaucrats may also be politically savvy enough to understand the potential ramifications of broader discontent for the ruling regime.

In any case, as the official suggested, I did ask the minister, although a former one. He blamed the lack of human resources.<sup>310</sup> According to him, there was insufficient qualified staff and transferring some of those workers who "overstaff" the tax administration was impossible because they "got hired into government because of the government policy of hiring all graduates [and therefore] came into government knowing they were not going to do any work".<sup>311</sup> The latter may certainly be the case, but as I argued earlier in this subsection, it seems more like administrative deficiencies provide an excuse, rather than a reason, for non-enforcement. Unlike Boutros Ghali's decision not to levy fines during the first few years and the general unwillingness of ministers to refer cases to criminal prosecution, it may be that in this and some other cases we are not dealing with explicit decisions to not enforce the law.

This third section therefore clearly showed that among the upper echelons of the tax administration and the government, enforcement is often not purely a function of administrative capacity, or even elite-oriented or

---

<sup>309</sup> Interview with ETA headquarters tax official, 29 September 2015.

<sup>310</sup> Interview with Youssef Boutros Ghali, 14 March 2017.

<sup>311</sup> Ibid.

patrimonial politics. It is often rejected as a course of action, or aborted midway, due to fears of discontent and due to the hardship for ordinary Egyptians the policies could result in.

### **Conclusion**

In this final empirical chapter, I showed how again distrust and the consequences of a persistent but broken populist social contract contribute to the lax enforcement of taxes. In various different cases, a combination of a perceived duty to take into account the economic situation of poorer strata of the population and the fear of disgruntlement of powerful historical regime constituencies has led administrative and political leaders to refrain from strictly enforcing the law. In addition, intra-state distrust can result in increased difficulties to enforce taxation by weakening the coercive arsenal of the tax administration.

The chapter has a number of implications for the literature. It shows that while the decisions were not always (e.g. with respect to the enforcement of sanctions) as clear-cut as with the failure to update the rental value of the agricultural land tax, non-enforcement sometimes amounts to providing “safety valves” in order to avoid discontent – mostly of ordinary Egyptians. While I therefore agree with views, such as Harders’, that a new social contract based on tolerating wrongdoing has developed, in particular over the course of Mubarak’s rule, I do not believe that top-level actors only adopt a passive and neglectful approach (in this sense I also disagree with Dorman) (Dorman, 2007; Harders, 2003). My conclusions are therefore closer to Holland’s, who analysed deliberate non-enforcement for redistributive purposes (Holland, 2016). However, in the Egyptian case discerning between socio-economic/redistributive motives and political/regime-maintenance based ones is often more difficult, in particular because both share similar historical roots in Nasserist legacies.

In any case, concepts such as neopatrimonialism may reflect a small part of what Egyptian tax policy is about, but are overly schematic and unable to account for the complex motives and drivers of non-enforcement. Tax policy and administration are about more than confusion between private and public spheres and top-down pyramids of patronage and clientelism. And

conceptualising deliberate non-enforcement of tax laws, as well as the staffing of the tax administration, in favour of certain groups for political reasons in neopatrimonial terms is too generic and does not tell us anything about how and why the state uses resources for political legitimation (von Soest, 2007). Furthermore, and perhaps of greater relevance to the Middle East politics literature, it seems that despite a continued focus on the importance of the increased reliance of the regime on business elites who benefited from Sadat's and Mubarak's policies, one should not underestimate the still significant weight of the historical commitments of the Egyptian state, and the importance the regime still attaches to appeasing some of its traditional constituencies.

Finally, my findings also question the common distinction between "easy-" and "hard-to-collect" taxes in the tax literature. Agricultural taxation is not administratively much more difficult than numerous other taxes, and as Keen points out, these are taxes that even underdeveloped states managed to collect for a very long time in history. Conversely, whether the tax collection of civil servants at source is really as easy as commonly portrayed in the literature, should perhaps be reconsidered (Fjeldstad and Semboja, 2001).

In the final chapter, Chapter 6, I will now revisit the key findings of this dissertation, place them within the broader context of the literature, and discuss potential fruitful research avenues.

## **Chapter 6: Conclusion**

### **Introduction**

In this final chapter, I intend to do three main things. First, I will review and evaluate my findings by critically examining the evidence I put forward for my hypotheses throughout this dissertation. Second, I will discuss the implications of my findings for the existing literature. Third, based on my conclusions and taking into account the current state of the field, I will outline what I consider to be some of the most promising avenues for future research.

#### **1. Summary of findings**

At the heart of this dissertation stood the puzzle of lax enforcement of tax laws in Egypt. I argued that distrust and the simultaneous persistence and breaking of the Nasserist social contract contributes to ineffective tax collection. More concretely, I developed three hypotheses, namely that distrust, both in state-society and in intra-state relations, moral economies among tax collectors and the regime's fear of a popular backlash threatening its grip on power all negatively affected effective tax collection. There were a number of other explanations for the lax enforcement of tax laws, amongst others capacity constraints; rational, self-interested and strategic behaviour by economic actors, tax administrators and politicians; the neopatrimonial functioning of tax collection and the state apparatus; or the political and economic environment of post-revolutionary Egypt. As I explained in the introductory chapter, these alternative hypotheses were not always rival to mine, and in fact my research shows how the inclusion of the hypotheses I put forward, and how they nuance, complement and interact with these other factors, helps us paint a fuller picture of Egyptian tax collection.

##### **a. Distrust**

In Chapter 2, I argued that Egyptians, confronted with a predatory emerging modern state, came to resent and distrust it and its agents. The literature suggests that in order for trust to emerge, people have amongst other things to repeatedly make positive experiences of fair treatment in particular with interface-level state agents, or to share a common group bond such as geographical origin, nationality, etc. (Reeskens and Wright, 2013; Rothstein, 2000; Rothstein and Stolle, 2008). What occurred throughout Egypt's history was in many ways virtually the exact opposite.

In the 19<sup>th</sup> century, when modern state-building took place, public agents were mainly there to tax them, often heavily and arbitrarily, to enlist them in indeterminate military service or to *corvée* labour. This constituted an unprecedented intrusion into their lives, not only because of these policies but also due to the new and more sophisticated techniques for exercising authority and control that were developed and implemented at the time (e.g. cadastral surveys, identification cards, etc.). This heightened level of coercion and control was necessary because levels of resistance were high as recurrent rebellions and constant peasant flight indicates. Pre-colonial rulers had indeed problems to legitimise massive taxation. As part of a foreign dynasty they displayed no interest in nation-building. However, as examples from other countries have shown, existential threats and nationalism are important ways to legitimate the higher extraction, in particular in the context of war-making (Daunton, 2007; Herbst, 1990; Scheve and Stasavage, 2010). Furthermore, ordinary Egyptians were consistently treated worse than wealthy elites and later even foreigners, in both revenue mobilisation and the provision of public goods. Thus, from the perspective of the majority of Egyptians, these new intrusions served no beneficial purpose and behind every contact with a state agent there lurked danger of mistreatment. As I showed in Chapter 2, various primary and secondary sources point out the distrust in state-society and tax relations throughout the 19<sup>th</sup> and 20<sup>th</sup> centuries.

With the beginning of more complex methods of property and income taxation that relied more heavily on the compliance and co-operation of the taxpayer, this distrust then started to have a stronger and more tangible effect on the effectiveness of tax collection. The creation of laws, regulations and

organisations in taxation was influenced by the distrust vis-à-vis the taxpayer, and then resulted in the reinforcement and institutionalisation of equilibria of distrust in taxation. Ever since, tax collectors have consistently assumed that taxpayers cheat and evade taxes, whereas taxpayers firmly believe that the tax administration will overcharge them in a purely arbitrary manner. To be sure, in its early days the income tax administration was clearly under-staffed, but even when this problem was addressed, the distrust remained and is still a defining characteristic of present-day tax relations. Although I noted an impact at all three levels of analysis, I found it to have been most salient at the micro-level of taxpayer-tax administration relations.

This is why the empirical investigation in Chapter 3 focused on the attempts of the government to “establish trust” which had publicly been made a top priority of the tax reform efforts launched in the second half of the 2000s. An analysis of these reform attempts – which entailed something resembling a unilateral declaration of trust by the state – showed that the deep-seated legacy of distrust is difficult to address. On the one hand this was due to reduced opportunities for corruption, but on the other hand I also showed that tax collectors rejected the policy makers’ naivety and their foregoing of potentially large streams of revenue for the state.

In Chapter 4, which covered the mid-level of analysis of intra-state relations, I then argued that trust *within* the state similarly affects tax collection in a negative manner. Distrust in state-society relations is effectively mirrored in intra-state relations, encouraging, facilitating, or legitimising a number of common bureaucratic “pathologies”. In particular when it comes to what is commonly called “resistance to change” in the donor and expert literature on taxation and public sector reform in developing countries, the distrust that low-level, junior tax collectors harbour against a leadership that is often perceived as out of touch or worse corrupt plays a role. This could for example be seen when the government tried to reform performance evaluation and pay in the civil service. To be sure, the defence of entitlements or in some cases also of opportunities for corruption will always be an important factor as well, but I showed that distrust in the motives, competence and integrity of the leadership, and vice-versa, makes intra-bureaucratic co-operation more difficult.



At the third level of analysis – the administrative and political leadership – covered in Chapter 5, distrust also plays a role, albeit a more marginal one. Looking again at the reasons why in the period after the tax reforms against what was publicly announced tough sanctions against the non-compliant were not implemented, I showed that the distrust between the minister of finance and the tax administration is likely to have contributed to the weakening of the tax administration’s coercive capacities and practices.

In sum, distrust in both state-society and intra-state relations is pervasive and contributes to the lax enforcement of tax laws. I will explain in section 2. that while this finding is in line with the literature, the perspective and role of distrust specifically among tax collectors and within the state have so far received little attention.

#### **b. Moral economies**

In Chapter 2 I also presented evidence for how over the course of the late 19<sup>th</sup> and 20<sup>th</sup> centuries expectations that the state would always provide public employment for those Egyptians who manage to get a higher-level education became more and more established in society. The foundations of a “moral economy of public employment” were laid. Over time, and in particular under Nasser’s rule, the moral economy grew to encompass the right to a decent, secure, white-collar job. Price controls and subsidies would guarantee that fairly low salaries would be sufficient to enable civil servants to live a decent middle-class lifestyle. Moreover, it is important to remember that historically the tax administration has had a more prestigious position than other civilian administrations, affecting the self-perception of its employees. This moral economy must also be understood in the wider national context of strong beliefs in a “caretaker” role of the state. Indeed, the survey evidence I presented clearly indicates that Egyptians expect a much higher level of state intervention in the economy and a greater role in ensuring that everyone in society is provided for than similar developing countries.

In the following chapters, I then found evidence for the hypothesis that collectively-held expectations, beliefs and attitudes held by tax collectors (and taxpayers) with respect to the state’s obligations contribute to lax tax

collection at all three levels of analysis. However, it was in Chapters 3 and 4 that the issue was most salient.

In Chapter 3, I showed that moral economies played an important role when it comes to explaining why at the micro-level a number of sanctions are rarely and inconsistently applied, and some crucial jobs – for example in taxpayer registration – are avoided. On the one hand, there are high expectations as to what the social position of the tax collector should be and what the job should entail. On the other hand, effective tax collection often means doing a tedious job in the field that conflicts with the Nasserist white-collar expectation and self-perception. I also argued that the reluctance to enforce the law stems to a certain degree from an acknowledgment of the fact that a strict sanctioning of poorer, less established tax informal or semi-formal actors – for example by applying the fines or sanctions for failing to register or to file a tax return – would be too harsh.

In Chapter 4, I investigated three bureaucratic “pathologies” – weak and uneven work effort, corruption, and reform resistance/low co-operation – that contribute to ineffective tax collection. I showed how moral economies of bonuses and civil service employment helped render reward and sanctioning mechanisms meaningless. Employees feel entitled to certain rights regarding their job and their pay and more senior managers often accept that the state is not upholding its end of the bargain (in terms of the life civil servants can afford) and/or are unwilling to risk widespread disgruntlement among staff. More directly, a number of tax collectors feel deprived of their rights as Egyptian civil servants and abandoned in their quest to fill the nation’s coffers, creating an environment in which corruption or idleness and absenteeism lose their stigma and are being openly legitimised. This is not only the consequence of objective income trends but also of subjective expectations and perceptions as well as relative deprivation.

In Chapter 5, I then explored whether existing moral economies could also play a role in influencing the behaviour of top-level bureaucrats and politicians. Drawing on an investigation of three areas of tax enforcement, I showed that while regime stability concerns also play a role in determining enforcement, ministers of finance or senior tax administration managers believe that tax collection needs to take into account the socio-economic

situation of Egyptians. Small and micro-level enterprises, but also small and medium farmers constitute sections of society that deserve to be treated with leniency, not with an application to the letter of the law.

### **c. Regime insecurity**

Finally, in Chapter 2 I also explained how with colonisation and decolonisation, political elites became much more sensitive to public opinion, potential discontent and the threat this poses to the stability of their rule. Historical evidence shows that throughout the first half of the 20<sup>th</sup> century, the government and the bureaucracy had to increasingly adopt more conciliatory and lenient policies and practices towards the majority of the country, even though reports indicate that arbitrariness, excessive strictness or coercive behaviour were still quite common in state-society relations. Even Nasser, who as a charismatic populist leader enjoyed a certain amount of political legitimacy, shied away from more courageously addressing the weak outcomes in terms of income and profit taxation outside the public sector. After the Bread Riots of 1977, the Egyptian government has been one of the most cautious and gradualist reformers of the socio-economic realm, displaying what one could call a “hyper-sensitivity” to potential and real public discontent. This regime insecurity is reinforced by the fact that it interacts with some genuine adherence to the Nasserist promise of socio-economic development benefiting the nation’s lower and middle classes.

Regime insecurity was not found to play an important role at the lowest level of analysis, micro-level tax relations. Ordinary tax collectors were certainly not unaware of the potential political implications of what a shift to stricter tax collection would entail, but in their everyday working lives these tended not to be an explicit concern. However, regime insecurity was found to be an issue in intra-state relations (Chapter 4), and most clearly at the level of the political and administrative leadership covered in Chapter 5.

In Chapter 4, I found that regime insecurity played a moderate role in explaining the bureaucratic problems mentioned above that contribute to the lax enforcement of tax collection. I argued that more senior management may often shy away from disciplining subordinate staff members because of the

trouble this could stir up with the top-level political and administrative leadership. Mid- and high-level managers therefore may also be worried about jeopardising their career rather than about the survival of the regime. Nonetheless, management is aware of the fact that protracted problems with the staff are not desired by the government. At this level, regime insecurity is thus more implicit and also more intertwined with other concerns.

At the highest level I however demonstrated that these concerns were quite explicitly voiced. Top-level officials often shy away from enforcing the law, for example with respects to bookkeeping regulations, updated property valuations, tax return filing requirements, or the criminal prosecution of tax evasion. Senior officials such as former ministers of finance were all quite clear about the fact that these were conscious decisions designed to prevent a backlash among the population, or worse within key state institutions themselves. This explains why even traditionally very “easy” tax collection measures, such as collecting payroll tax at the source from civil servants, or simply using updated rental valuations for the calculation of the agricultural land tax liability, were not successful. In this sense the analysis comes close to other political economy analyses of taxation, although the latter mainly emphasise how governments protect elite interests instead of showing concern for lower and middle-class segments of society.

In sum, in this dissertation I argued that widespread distrust between state and society and within the state, as well as the ramifications of a persistent but broken social contract – namely the breaking of historical moral economies and the insecurity of a regime heading an over-promising but under-delivering state – contribute to the lax enforcement of tax laws. As my three contemporary empirical chapters showed, the three different factors I describe are almost always present at the three different levels of analysis, but they are not always equally significant and salient.

My analysis has further made clear that the hypotheses I put forward can influence tax collection outcomes in different ways, and may often interact with each other, or with other explanatory factors such as administrative capacity or rent-seeking and strategic behaviour.

In the following section, I will consider what my findings contribute to the debates I sought to address with this dissertation.

## **2. Implications for the literature**

In this section, I will discuss the implications of my findings for the existing scholarship. I do not intend this to constitute a comprehensive review of all my contributions, many of which I have already pointed to throughout this dissertation. Instead, I want to outline the main ways in which my research can speak to a number of key debates. I decided to structure the discussion along three strands of the literature, namely the literature (1) on taxation in developing countries; (2) on the enforcement of laws and everyday governance; and (3) on Middle East and Egyptian politics.

### **a. Taxation in developing countries**

My main contribution to the literature on taxation in developing countries can perhaps best be summarised by the assertion that what has thus far been considered to be influential in determining whether taxpayers are willing to pay taxes, also matters for whether tax collectors are willing to collect. As I explained in Chapter 1, works on the internal functioning of tax administrations or focusing on the role of ordinary tax collectors in the fulfilment of their professional duties are scarce. This dissertation has in my view helped address this gap. This dualism of effects on both sides of the tax relationship can be found in both the importance of distrust and that of norms, beliefs, attitudes and expectations.

In Chapter 3, I focused on how tax collectors also profoundly distrust taxpayers, an aspect that has not really been noted much in the existing literature. My research also constitutes to my knowledge the first or one of the first empirical investigations of a developing country's conscious and explicit efforts to improve trust in taxation, and why it struggled to yield results. Intuitively, experts and policy-makers have perhaps been focused too much on the taxpayer side: on the lengthy and difficult process of building trust among the population.

The latter may of course very well be justified and still useful in the long term, but my research suggests that a focus on trust-building among tax officials and within the state apparatus may be equally necessary. Indeed, the analyses in Chapters 4 and 5 have shown that low intra-state distrust, which again has not received attention within the literature, can negatively affect the effectiveness of tax collection, for example by increasing by lowering levels of internal co-operation and increasing reform resistance.

In addition, my research speaks to an emerging literature focusing on the origins and historical legacies of distrust (Becker *et al.*, 2016; Bustikova and Corduneanu-Huci, 2017). It tends to confirm the hypotheses emitted by scholars such as Meagher or Prichard, who suggested that different historical trajectories and legacies of state-society relations – in the period of modern state formation or colonisation – probably had an effect on the extent to which citizens/taxpayers and the state deal with each other today (Meagher, 2016; Prichard, 2015).

The second sub-strand of the literature on taxation in developing countries in which my argument on tax collectors “mirrors” that of the existing scholarship is the research on the impact of norms, beliefs, attitudes and expectations on tax outcomes. The dissertation constitutes one of the first larger in-depth studies of taxation that relies on the concept of moral economy to describe how moral economies at the level of ordinary tax collectors affect tax outcomes. Previous valuable work has been done by Prichard and van den Boogard and Twijnstra *et al.*, amongst others, who showed how tax collectors did not enforce the law strictly on certain weaker categories of the population in Ghana and in the border area of South Sudan and Uganda respectively (Prichard and van den Boogaard, 2017; Twijnstra *et al.*, 2014). El-Meehy who worked on Egypt but not on taxation, also noted the importance of Nasserist legacies and the moral economy of “social entitlements” (El-Meehy, 2009). Her argument was rather on how the moral economy of “social entitlements” affects decisions at the government level, which is something that I did too. But going further than that, I was in the case of Egyptian tax collection able to show that the concept can be of value to understand the behaviour of ordinary civil servants as well. Of course, on this issue Joshi and Ayee’s pioneering work on potential motivational issues of tax

collectors was extremely valuable (Joshi and Ayee, 2008). But I believe my research successfully expands their argument by looking at the ways in which moral economies, class-based attitudes and expectations, and relative deprivation can complement or reinforce negative institutional incentives (e.g. career prospects, etc.).

Another contribution of my research is the mapping of the different ways in which the politics of enforcement functions at different levels of the state apparatus. Many studies focused largely on top-down decision making, on politicians not wanting to enforce certain laws for certain political reasons. By taking a much broader perspective of the politics of enforcement, looking at intra-bureaucratic politics and the everyday politics at the micro-level, we gain a better understanding of which factors matter at which level and in which particular context.

Finally, my research constitutes a first step in thinking about potential national or regional specificities when it comes to patterns of tax collection. Although there has always been widespread agreement on the fact that each country is in a way unique in the way that it collects taxes due to its specific history, societal composition and sets of institutions, the discipline has also been overwhelmingly universalistic. There are strong and good reasons for this, as numerous studies of taxation from countries across the world often show recurring or similar problems. Nonetheless, it should not prevent us from looking for and perhaps discerning regional distinct patterns in terms of the political economy of taxation, like Hertog has for example argued for the MENA region's political economies more generally (Hertog, 2016).

## **b. Enforcement of laws and everyday governance**

This dissertation's research question was about the lax enforcement of tax laws. My research therefore speaks to scholarship on taxation in developing countries, but also to a broader political science literature on how states, their administrations and their agents enforce laws in practice.

My research complements Holland's, whose theoretical framework I discussed in Chapter 1, by investigating the non-enforcement of laws in a centralised authoritarian country as opposed to decentralised democracies

(Holland, 2014, 2016). As I have shown throughout the empirical chapters, “bureaucrats” are also able to forego enforcement for social and political reasons (much in the same way as the local politicians in the Latin American capitals she studies), echoing an important point Lipsky made back in 1980 (Lipsky, 1980). She has a point when she writes that “enforcement politics is more likely to reflect national concerns, such as social stability, internal security threats, urban-rural migration patterns, and regime legitimacy” rather than being an alternative to inadequate welfare policy (Holland, 2014, p. 40). Regime concerns over threats to its rule often do overlap with distributive objectives. However, it is not clear why the fact these concerns are “national concerns” affects the extent to which this could be “forbearance” and in what way “social stability” is actually fundamentally different from the willingness to ensure that poorer segments of society are looked after by the state. The lines between redistributive policies and maintaining social stability or national security may actually be generally quite blurry. In the Egyptian case, they seem to often work hand in hand.

At the micro- and intra-state levels, my contribution is similar to that of the “states at work” literature at large (Anders, 2014; Bierschenk, 2014; Bierschenk and Olivier de Sardan, 2014b; Hamani, 2014; Lentz, 2014). By adopting the perspective of the ordinary civil servant, I try to shed light on neglected and understudied factors shaping the exercise of the everyday governance of the state. Within political science such an approach has thus far received little attention. Even Scott’s famous work “Seeing like the state” does not capture what this new approach seeks to do (Scott, 1998). As Bierschenk and Olivier de Sardan go on to explain:

“We are not interested in finding out ‘how the state sees’ (à la Scott 1998), but how public bureaucrats see their world, how they are perceived by the citizens to which they deliver services (Blundo, this volume), and how they deal on a routine basis with their hierarchy, their colleagues, other non-state institutions, and the users of public services.” (Bierschenk and Olivier de Sardan, 2014c)

Throughout the thesis, but in particular in Chapters 3 and 4, I have made these objectives my own. I believe that the empirical material that they brought to light, in particular how normative-ideational factors shapes their work, offers new insights into how certain historical social contracts and class-



or job-based expectations shape the behaviour of civil servants on the job. This approach and its results therefore also complements Lipsky's seminal sociological analysis of the "street-level bureaucracy" (Lipsky, 1980). He focused more on how front-line agents coped with limited resources and utilised their discretionary power amid conflicting organisational goals. My work focuses more closely and specifically on the clash between on the one hand historical expectations related to class and professional status as well as long-standing moral economies of a caretaker state, and the realities of the job on the other.

Finally, my research also complements the "hybrid governance" or "legal pluralism" traditions (Bagayoko, 2012; Meagher, 2012; Meagher *et al.*, 2014; Migdal, 2001). In fact, my conclusions are to a certain extent quite different, although this could be due to the specific features of the Egyptian case. The hybrid governance and legal pluralism literatures essentially make the case that there are often different, competing sets of norms and loyalties that draw actors into different behavioural directions in their jobs and everyday lives. But in the Egyptian case, the problem was not one of tax collectors feeling greater loyalty to another societal group of some kind, or that there were competing sets of rules and norms, it was simply that one loyalty, that to the state, and the adherence to its official norms and rules was eroding even in the absence of a competing social network or normative frame of reference.

### **c. Middle East and Egyptian politics**

To conclude this section, I turn to how my research speaks to the study of Egyptian and Middle East politics. First, I believe that my research makes an important empirical contribution because it constitutes – to the best of my knowledge – the first in-depth empirical study of tax collection in a country of the Middle East and North Africa, and one of a public administration "at work" more generally.

Second, and related to the previous point, the dissertation is a counterpoint to the idea one could have that the study of taxation is not an endeavour worthy of pursuit in a region with so many "rentier states". Rentier

state theory predicts that the ability to rely on external rent income enables governments to refrain from taxing their society which is why tax administrations are or become weak (Anderson, 1995; Beblawi and Luciani, 1987; Chaudhry, K. A., 1997; Moore, M., 2004). I do not contend that the theory is completely wrong. But scholars like Myriam Catusse or Waldner and Smith have pointed out the danger of relying on intuitive theories while knowing very little on how this really affects states and the way in which they raise taxes and revenue (Catusse, 2006; Waldner and Smith, 2015). To be sure, there are relatively clear-cut cases of the extreme rentiers where there is little empirical doubt that the absence of or very low taxation is a direct consequence of the state's ability to fund all or almost all of its expenditures via rent income from hydrocarbon sales (or returns on invested rent income). But by and large the empirical basis of the postulated causal mechanism between rent income and decaying or weak tax collection rest on a shaky foundation (Waldner and Smith, 2015). My research adds to this scepticism. As I explained Chapter 2, other aspects and effects of Sadat's policies in the 1970s are likely to have had a greater effect on the country's extractive capacity than external rent, which has not triggered a discernible weakening of efforts to collect revenue.

Third, this PhD thesis speaks to the debate on states and state-society relations in the MENA region. It shows that analysis relying on paradigms such as "neopatrimonialism" on the one hand, or "neoliberalism" on the other, are often too simplistic to accurately render the complexities of everyday governance and state-society relations. This is not to say that some aspects of neopatrimonial behaviour are not observable empirically, and it also does not necessarily mean that it might not be a better fit in other cases. But overall, as the dissertation has shown, it is really a largely inaccurate, and too top-down, vision of the state to argue that political intervention by the president or the highest level systematically affects tax collection. The same applies to the award of personal favours. There is no doubt that, in particular since Sadat's presidency, tax holidays, exemptions and favourable treatment with respect to audit, collection, or litigation procedures, existed and still exist. But a lot of what we observe in Egypt is actually the *impersonal* award of favours to large segments of society. And typically not according to static,

pre-determined and mechanical group solidarities but based on a combination of shifting political strategies, dominant ideas and implicit social contracts. Moreover, the “misuse of state resources for political legitimization”, by which neopatrimonial governance is often defined (Bratton and van de Walle, 1997, pp. 63–65; von Soest, 2007), certainly applies to the Egyptian case, but it is so vague and generic a statement that it can probably be construed to apply to any country in the world, even the most developed ones. My work analysed the precise historical and political dynamics that actually explain how and why the Egyptian state uses resources for political legitimization.

In a similar fashion, it is also very much in doubt whether “neoliberal” reforms had or have much to do with how effectively taxes are collected. This is not to deny that especially under Youssef Boutros Ghali there were a number of policy reforms inspired by the “neoliberal” international tax policy consensus that was and to a certain extent still is quite dominant. And as my research has made clear, decades of social relegation of civil servants have significantly contributed to weak tax collection. But the non-enforcement of tax laws on ordinary segments of society also questions a simplistic picture in which rich people are being spared and poorer citizens squeezed by the taxman. And many other important problems of Egyptian taxation, such as widespread distrust, are not addressed by debates on the consequences of neoliberalism.

The military coup in 2013 and the establishment of a new authoritarian regime has also triggered debates as to what this regime is and how it will govern. Steven Heydemann, for example, has provided an interesting analysis of the transformation in the Egyptian mode of governance under el-Sisi (Heydemann, 2014). He argues that what we witness now is not a return to a pre-2011 Egypt, but

“instead [...] narrowly-nationalist and exclusionary-repressive modes of authoritarian governance [that] are consistent with the inability of Arab regimes either to sustain redistribution and guarantees of economic security as the basis of state-society relations and conceptions of citizenship, or to establish viable, market-oriented political economies capable of addressing massive, systemic employment crises and ameliorating chronic conditions of economic insecurity that are especially acute among youth. [...] The statist, inclusionary and redistributive models of controlled mass mobilization

that prevailed in the post-independence era – with all they implied about republicanism, egalitarian conceptions of citizenship, and a moral economy relationship between states and citizens – are simply no longer available as viable options for regime elites. [...] In contrast, market-oriented models of authoritarian governance are seen as viable alternatives. [...] Thus, even while emergent models of authoritarian governance in the Arab world exhibit a wide range of continuities, they are moving beyond the authoritarian bargains and the authoritarian compromises of earlier eras, toward repressive-exclusionary systems of rule organized in response to the threat of mass politics under conditions of poor capitalism.” (Heydemann, 2014)

I largely agree with this view, and there is no doubt that increased use of the security apparatus has been one of the key strategies employed by the regime to solve the fundamental political and economic dilemmas Heydemann described. However, I am not entirely sure one should ring the death knell for the “old” social contract. Despite a more exclusionary and repressive mode of governance than ever, I could not find a major shift away from the said moral economy relationships between state and society, or even within the state, in my research. There is no doubt that the current government, due to the fiscal and economic situation, has been implementing a number of regressive policies. But it seems as if in the everyday life of the economic realm, the market-oriented, “repressive-exclusionary” mode of governance is still complemented by the non-extractive, post-populist one that spares much larger constituencies than simply the political and economic elites.

In a similar vein, my findings suggest that Egypt’s “ruling coalition” is in fact much broader than assumed, perhaps in particular in comparison with other developing countries, where they are often less middle-class based. Much has been written on how the regime tried to build itself a second support base outside of the state apparatus and the “middle stratum” of the peasantry by cajoling, co-opting and integrating elements of the wealthy business elite that benefited from managed economic liberalism, the “crony capitalists” (Adly, 2009, 2011; Amin, 2011; Joya, 2011; Kienle, 2003; Soliman, 2004, 2011). However, the lenient policies in the socio-economic realm of which I studied one aspect in this dissertation also favour a middle stratum of entrepreneurs and professionals who would in all likelihood be much worse off at an individual economic level than in the status quo. Conversely, civil

servants are perhaps not necessarily the “pillar” of the regime they are assumed to be. They have without a doubt a greater ideological support for, and a greater interest in the maintenance and protection of the state as an institution. However – and in that sense my work complements authors who have written about the social movements in the 2000s and noted the at the time the surprisingly active and visible role of employees of the civilian administrations – I have shown that the sense of abandonment, the feeling of broken promises and expectations, and the continued desperation in the face of high inflation and difficult working conditions all constitute a reservoir of discontent that should not be underestimated (Beinin, 2009; El-Mahdi, 2011).

### **3. Avenues for further research**

In conducting the first in-depth empirical analysis of Egyptian tax collection, this dissertation has been exploratory in nature. It was aimed at shedding light on understudied phenomena in understudied contexts. Naturally, the exploration should not stop here and I hope my study will constitute a stepping stone for future research. In addition, several of the research programmes this project is linked to empirically, theoretically, and methodologically, are still in their infancy. In this section I shall therefore explain which research avenues could be the most fruitful.

#### **a. Broadening the range of cases**

I believe my research to constitute an encouragement to try to conduct research in countries or regions where taxation has not yet been the subject of more detailed scrutiny. Of course, research should always be practically feasible and my suggestion should by no means be interpreted as a call for taking unnecessary and irresponsible risks that endanger the research project, the researcher or others. However, I do believe that in the practitioner, donor, and academic literature on taxation in developing countries, there is always a quite conspicuous absence of certain countries, and a concentration of others. This could be due to the scientific case selection process, or the distribution or concentration of regional

specialisations within development studies (namely on Sub-Saharan Africa, Latin America and South Asia), in a historically speaking rather young field with relatively few scholars. But it probably also reflects, at least to some extent, the degree of openness and co-operation of countries with researchers, which I would argue could incur selection bias. Many countries, among them Egypt, are not very likely to provide or publicly share any data on its taxpaying population, to allow researchers to gain official access to administrations and their staff, and even less so to co-operate with them by carrying out surveys, experiments, etc. Now, it could be that countries that are closed and uncooperative are also likely to share other characteristics that could affect tax collection: potentially high levels of distrust, of regime insecurity, etc. Conversely, it could be that countries with more open and co-operative tax administrations, governments, and public administrations, also share other characteristics that may alter the shape of tax relations, of how administrations function, etc.

I therefore believe a greater diversity of cases could give us more clues about the universality, or on the contrary of the regional or national specificity, of certain phenomena we observe in taxation. Irrespective of my own study, the Middle East and North Africa region will remain a major blind spot. Recent research indicates that the way state, economy, and society interact has evolved in a regionally distinct manner (Hertog, 2016). My own research also indicated that in the Egyptian case, Nasserist legacies may have resulted in obstacles to effective enforcement of tax laws that are particularly difficult to overcome. Further studies could therefore help confirm or infirm distinct patterns of taxation in the MENA and other world regions.

#### **b. Micro-level focus on tax administrations and tax collectors**

As I explained in Chapter 1, there have only been a very few studies that have as their object the functioning of the tax administration and, more specifically, those who actually carry out the task of collecting taxes, the tax

collectors.<sup>312</sup> In my opinion, much promise lies in an increased shift away from the question of why taxpayers do not comply with the law, to that of why the tax administration does not enforce it. Most problems in taxation reported by local politicians, experts, foreign consultants, and other actors, relate in one way or another to difficulties in administrative implementation. But we are still only at the beginning of getting a good understanding of what explains tax officials' behaviour and what motivates them in their work.

To this end, I believe political science and development studies could benefit from a *rapprochement* with the sociology of organisations and public administrations, a historically very rich field of study. This is also what Bierschenk and Olivier de Sardan have been advocating in their endeavour of building a new, empirically-grounded anthropology of public administrations (Bierschenk and Olivier de Sardan, 2014a). They argue that “the ethnography of public servants”, of “the delivery of public services and goods”, and of “the accumulation of public administration reforms” is best placed to produce new insights into the concrete functioning of state apparatuses “at work” (Bierschenk and Olivier de Sardan, 2014b, pp. 4–5). An obstacle to this is, of course, the difficulty of conducting research among public administrations. Nevertheless, I believe where possible it should at least be attempted.

If this methodological approach is not feasible, the field would of course still benefit from other types of studies of tax administrations. Surveys have the advantage of producing a statistically representative picture of tax employees' attitudes, beliefs, etc. However, they can only be conducted with the approval of the tax administration and the government, which in virtually all cases influences the kind of questions one can ask. Comparative studies, either qualitative or quantitative in nature could also help the field to again get a more accurate sense of what kinds of phenomena are region- or country-specific, if at all, and which ones are not.

### **c. Advancing a new comparativism**

---

<sup>312</sup> Richard Bird noted that “until recently, little good information was available on tax administration and even less attention was paid to the mundane but important reality of how tax systems worked in developing countries” (Bird, 2015, p. 23). Since then, not much has changed. In the field of Middle East politics, Myriam Catusse also pointed out the “absence of data and precise studies of on the internal functioning of the economies and notably on the tax administrations” (Catusse, 2006, p. 9, own translation).

Such a comparative approach could also be useful across different realms of state-society relations, public good provision and regulation. In this dissertation, I focused on the enforcement of tax laws and to a large extent privileged case depth over scope. But I also drew on studies of Egypt and other countries on how states deal with infringements of housing and construction rules by Dorman, Nada or Holland (Dorman, 2009; Holland, 2014; Nada, 2014). The next step could therefore be to integrate and more systematically compare different fields of state regulation in a single study. Such a study could more closely focus on the intriguing contrast – in particular in countries of the MENA region – between the leniency the state displays when it comes to regulating the socio-economic realm, versus the ruthlessness of it demonstrates when it comes to enforcing security laws. This discrepancy has been noted before, but explanations have thus far been quite generic and superficial, with Ayubi, for instance, arguing that it is because the state is generally so weak that it resorts in other instances so easily to violence and repression (Ayubi, 1995).

In addition, based on my findings in Chapter 2, I believe that a comparative historical sociology of taxation in the MENA region, or among another set of countries where comparisons would be sensible and could lead to significant insights on the interplay between taxation, state formation, and state-society relations. This approach, widely popularised by Tilly's work, has been extremely influential and has profoundly impacted the way we think about state formation (and taxation). But outside of Western countries, this has not been attempted in a systematic fashion; Tilly himself addressed the question towards the end of his book "Capital and Coercion" in a superficial and unconvincing fashion (Tilly, 1990). By such an attempt, I do not mean examining in individual cases whether Tilly's framework can be applied to them, which has been done quite extensively. Instead, I would advocate an inductive approach that frees itself from pre-existing assumptions on taxation and state formation. Such an approach would also be able to further probe some of the hypotheses which featured prominently in my own research, for



example that distrust could be especially prevalent in countries with particularly coercive and predatory state-building.

Moreover, in recent years the quality of cross-country budgetary data has also significantly improved, with two new datasets being published in 2014 and 2016 (Lucas and Richter, 2016; Prichard *et al.*, 2014). Cross-country multiple regression analyses will still suffer from some of the inherent deficiencies that I discussed in Chapter 1 (omitted variables, poor quality of data or operationalisation of independent variables, etc.). But more detailed and accurate data on tax revenues and independent variables, as well as the use of more sophisticated quantitative methods, could get us closer to more confidently settling some debates on the links between tax revenues and a number of proposed explanatory factors.

## Bibliography

- Abdallah, I. S. E. (1988) Migration as a Factor Conditioning State Economic Control and Financial Policy Options. *The Politics of Arab Integration* : 141.
- Abdel-Basset, N. A. (2009) *Developing Commitment Towards Change in Bureaucracies: The Case-Study of the Egyptian Civil Service Sector*, PhD. University of Stirling, Stirling.
- Abdel-Fadil, M. (1980) *The Political Economy of Nasserism*. Cambridge, UK: Cambridge University Press.
- Abdel-Mowla, S. A. A. (2012) The Egyptian tax system reforms, investment and tax evasion (2004-2008). *Journal of Economic and Administrative Sciences; Al-Ain* 28(1): 53–78.
- Abdel-Rahman, A. M. (1978) The Egyptian Income Tax Reform: Toward a Unitary Income Tax. *L'Égypte Contemporaine* 373(Juillet).
- Abi-Hamad, S. (2012) The Colonial State and Its Multiple Relations: A Case Study of Egypt. *Comparative Studies of South Asia, Africa and the Middle East* 32(1): 1–12.
- Addison, H. J. (2009) Is Administrative Capacity a Useful Concept? Review of the Application, Meaning and Observation of Administrative Capacity in Political Science Literature. *Department of Government, London School of Economics*.
- Adler, R. (1942) Considérations sur le budget du gouvernement égyptien (1941-1942). *L'Égypte Contemporaine*.
- Adly, A. (2009) Politically-Embedded Cronyism: The Case of Post-Liberalization Egypt. *Business and Politics* 11(4): 1–26.
- Adly, A. (2011) When Cheap is Costly: Rent Decline, Regime Survival and State Reform in Mubarak's Egypt (1990–2009). *Middle Eastern Studies* 47(2): 295–313.
- Adly, A. (/2014) The Sisi Government's Attempts to Win Over Egypt's Civil Servants. *Carnegie Middle East Center*. Accessed: <<https://carnegie-mec.org/2014/08/27/sisi-government-s-attempts-to-win-over-egypt-s-civil-servants-pub-56462>>.
- Ahmad, E., Pöschl, C., and Zanola, R. (2014) *Tax reforms and incentives to cheat in developing countries—examples from Mexico*, Working Paper. LSE mimeo.
- Ahmad, E., and Stern, N. (1989) Taxation for developing countries. In Chenery, H. and Srinivasan, T. N. (Eds.), *Handbook of Development Economics* (Vol. 2). Elsevier.
- Ali, M., Fjeldstad, O.-H., and Sjørusen, I. H. (2014) To Pay or Not to Pay? Citizens'

Attitudes Toward Taxation in Kenya, Tanzania, Uganda, and South Africa. *World Development* 64(December): 828–842.

Allingham, M. G., and Sandmo, A. (1972) Income tax evasion: A theoretical analysis. *Journal of Public Economics* 1(3–4): 323–338.

Alm, J., Martinez-Vazquez, J., and Schneider, F. (2004) ‘Sizing’ the Problem of the Hard-to-Tax. *Contributions to Economic Analysis* 268: 11–75.

Alm, J., Martinez-Vazquez, J., and Torgler, B. (2006) Russian attitudes toward paying taxes – before, during, and after the transition. *International Journal of Social Economics* 33(12): 832–857.

Amin, G. (2011) *Egypt in the Era of Hosni Mubarak*. Cairo: American University in Cairo Press.

Anders, G. (2014) Old-school Bureaucrats and Technocrats in Malawi: Civil Service Reform in Practice. In Bierschenk, T. and Olivier de Sardan, J.-P. (Eds.), *States at Work - Dynamics of African Bureaucracies*. Brill.

Anderson, L. (1995) Peace and democracy in the Middle East: The constraints of soft budgets. *Journal of International Affairs* 49(1, Summer): 25–44.

Arnold, T. C. (2001) Rethinking Moral Economy. *American Political Science Review* 95(1): 85–95.

Aulas, M.-C. (1982) Sadat’s Egypt: A Balance Sheet. *MERIP Reports* 12(107, July/August 1982): 6–31.

Ayubi, N. (1980) *Bureaucracy & Politics in Contemporary Egypt*. Reading, UK: Ithaca Press.

Ayubi, N. (1983) The Egyptian “Brain Drain”: A Multidimensional Problem. *International Journal of Middle East Studies* 15(4): 431–450.

Ayubi, N. (1989) Bureaucracy and Development in Egypt Today. *Journal of Asian and African Studies* 24(1): 62–78.

Ayubi, N. (1991) *The State and Public Policies in Egypt since Sadat*. (Vol. 29). Reading, UK: Ithaca Press.

Ayubi, N. (1995) *Over-Stating the Arab State: Politics and Society in the Middle East*. I.B. Tauris.

Baer, M. K., and Silvani, M. C. (1997) *Designing a tax administration reform strategy: experiences and guidelines*. International Monetary Fund.

Bagayoko, N. (2012) Introduction: Hybrid security governance in Africa. *IDS Bulletin* 43(4): 1–13.

- Bahl, R. (2004) Reaching the hardest to tax: Consequences and possibilities. *Contributions to Economic Analysis* 268: 337–354.
- Baring, E. (1911) *Modern Egypt*. Cambridge University Press.
- Barnett, M. N. (1992) *Confronting the Costs of War: Military Power, State, and Society in Egypt and Israel*. Princeton University Press.
- Beblawi, H. (1987) The Rentier State in the Arab World. *Arab Studies Quarterly* 9(4, Fall): 383–398.
- Beblawi, H., and Luciani, G. (1987) *The Rentier State*. Croom Helm.
- Becker, S. O., Boeckh, K., Hainz, C., and Woessmann, L. (2016) The Empire Is Dead, Long Live the Empire! Long-Run Persistence of Trust and Corruption in the Bureaucracy. *The Economic Journal* 126(590): 40–74.
- Beinin, J. (1981) Formation of the Egyptian Working Class. *MERIP Reports* (94): 14–23.
- Beinin, J. (1998) Egypt: society and economy, 1923-1952. In Daly, M. W. (Ed.), *The Cambridge History of Egypt* (Vol. 2). Cambridge University Press.
- Beinin, J. (2009) Workers' Protest in Egypt: Neo-liberalism and Class Struggle in 21st Century. *Social Movement Studies* 8(4): 449–454.
- Beinin, J. (2011) Workers and Egypt's January 25 Revolution. *International Labor and Working-Class History* 80(1): 189–196.
- Berger, M. (1957) *Bureaucracy and Society in Modern Egypt: A Study of the Higher Civil Service*. Princeton University Press.
- Best, M. (1976) Political power and tax revenues in Central America. *Journal of Development Economics* 3(1, March): 49–82.
- Bianchi, R. (1989) *Unruly Corporatism - Associational Life in Twentieth Century Egypt*. Oxford University Press.
- Bierschenk, T. (2014) Sedimentation, Fragmentation and Normative Double-Binds in (West) African Public Services. In Bierschenk, T. and Olivier de Sardan, J.-P. (Eds.), *States at Work - Dynamics of African Bureaucracies*. Brill.
- Bierschenk, T., and Olivier de Sardan, J.-P. eds. (2014a) *States at Work: Dynamics of African Bureaucracies*. Brill.
- Bierschenk, T., and Olivier de Sardan, J.-P. (2014b) Studying the Dynamics of African Bureaucracies. An Introduction to States at Work. In Bierschenk, T. and Olivier de Sardan, J.-P. (Eds.), *States at Work: Dynamics of African Bureaucracies*. Brill.

Bierschenk, T., and Olivier de Sardan, J.-P. (2014c) Ethnographies of Public Services in Africa: An Emerging Research Paradigm. In Bierschenk, T. and Olivier de Sardan, J.-P. (Eds.), *States at Work: Dynamics of African Bureaucracies*. Brill.

Binder, L. (1978) *In a moment of enthusiasm: Political power and the second stratum in Egypt*. Chicago: University of Chicago Press.

Bird, R. M. (1989) The administrative dimension of tax reform in developing countries. In Gillis, M. (Ed.), *Tax Reform in Developing Countries*. Duke University Press.

Bird, R. M. (1992) *Tax policy and economic development*. Johns Hopkins University Press.

Bird, R. M. (2003) *Taxation in Latin America: Reflections on Sustainability and the Balance between Equity and Efficiency*, Working Paper No. 0306. Rochester, NY: International Tax Program, University of Toronto.

Bird, R. M. (2004) Administrative dimensions of tax reform. *Asia-Pacific Tax Bulletin* 10(3): 134–50.

Bird, R. M. (2013) *Foreign advice and tax policy in developing countries*, Working Paper No. 13–07. Georgia State University.

Bird, R. M. (2015) Improving Tax Administration in Developing Countries. *Journal of Tax Administration* 1(1).

Bird, R. M., Martinez-Vazquez, J., and Torgler, B. (2004) Tax Performance in Developing Countries: The Role of Demand Factors. *Proceedings. Annual Conference on Taxation and Minutes of the Annual Meeting of the National Tax Association* 97: 284–289.

Bird, R. M., Martinez-Vazquez, J., and Torgler, B. (2006) Societal institutions and tax effort in developing countries. In Alm, J., Martinez-Vazquez, J., and Rider, M. (Eds.), *The Challenges of Tax Reform in a Global Economy*. Springer.

Bird, R. M., and Slack, E. (2006) Taxing Land and Property in Emerging Economies: Raising Revenue... and More? Presented at the Lincoln Institute's Annual Land Policy Conference.

Bishara, D. (2015) The politics of ignoring: Protest dynamics in late Mubarak Egypt. *Perspectives on Politics* 13(4): 958–975.

Blaydes, L. (2006) Electoral budget cycles under authoritarianism: economic opportunism in Mubarak's Egypt. In *Annual Meeting of the Midwest Political Science Association*.

Bodea, C., and LeBas, A. (2016) The origins of voluntary compliance: attitudes toward taxation in urban Nigeria. *British Journal of Political Science* 46(1): 215–

Braithwaite, V., and Levi, M. (1998) *Trust and governance*. Russell Sage Foundation.

Bratton, M., and van de Walle, N. (1997) *Democratic Experiments in Africa: Regime Transitions in Comparative Perspective*. Cambridge University Press.

Brautigam, D. (2008) Introduction: Taxation and State-Building in Developing Countries. In Brautigam, D., Fjeldstad, O.-H., and Moore, M. (Eds.), *Taxation and State-Building in Developing Countries - Capacity and Consent*. Cambridge University Press.

Brodkin, E. Z. (2017) The Ethnographic Turn in Political Science: Reflections on the State of the Art. *PS, Political Science & Politics* 50(1): 131–134.

Brown, N. J. (1989) The Conspiracy of Silence and the Atomistic Political Activity of the Egyptian Peasantry, 1882-1952. In Colburn, F. D. (Ed.), *Everyday Forms of Peasant Resistance*. Routledge.

Brown, N. J. (1990) Peasants and Notables in Egyptian Politics. *Middle Eastern Studies* 26(2): 145–160.

Brown, N. J. (2004) Nasserism's Legal Legacy: Accessibility, Accountability, and Authoritarianism. In Podeh, E. and Winckler, O. (Eds.), *Rethinking Nasserism: Revolution and Historical Memory in Modern Egypt*. University Press of Florida.

Brownlee, J. (2007) The Heir Apparency of Gamal Mubarak. *The Arab Studies Journal* 15/16(2/1): 36–56.

Burgess, R., and Stern, N. (1993) Taxation and Development. *Journal of Economic Literature* 31(2): 762–830.

Bustikova, L., and Corduneanu-Huci, C. (2017) Patronage, Trust, and State Capacity: The Historical Trajectories of Clientelism. *World Politics* 69(2): 277–326.

Cain, P. J. (2006) Character and imperialism: The British financial administration of Egypt, 1878–1914. *The Journal of Imperial and Commonwealth History* 34(2): 177–200.

Cantens, T., Raballand, G., and Bilangna, S. (2010) Reforming Customs by measuring performance: a Cameroon case study. *World Customs Journal* 4(2): 55–74.

Casanegra de Jantscher, M., and Bird, R. M. (1992) The reform of tax administration. In Bird, R. M. and Casanegra de Jantscher, M. (Eds.), *Improving Tax Administration in Developing Countries*. Washington D.C.: International Monetary Fund.

- Catusse, M. (2006) Ordonner, classer, penser la société : Les pays arabes au prisme de l'économie politique. In Picard, E. (Ed.), *La Politique dans le Monde Arabe*. Armand Colin.
- Centeno, M. A. (1997) Blood and Debt: War and Taxation in Nineteenth-Century Latin America. *American Journal of Sociology* 102(6): 1565–1605.
- Centeno, M. A. (2002) *Blood and debt: War and the nation-state in Latin America*. Pennsylvania State University Press.
- Chabal, P., and Daloz, J.-P. (1999) *Africa Works: Disorder as political instrument*. James Currey.
- Chalcraft, J. (2004) *The Striking Cabbies of Cairo and Other Stories: Crafts and Guilds in Egypt, 1863-1914*. State University of New York.
- Chalcraft, J. (2016) *Popular Politics in the Making of the Modern Middle East*. Cambridge University Press.
- Chaudhry, I. S., and Munir, F. (2010) Determinants of Low Tax Revenue in Pakistan. *Pakistan Journal of Social Sciences* 30(2): 439–452.
- Chaudhry, K. A. (1997) *The price of wealth: Economies and institutions in the Middle East*. Cornell University Press.
- Chaudhury, N., Hammer, J., Kremer, M., Muralidharan, K., and Rogers, F. H. (2006) Missing in action: teacher and health worker absence in developing countries. *The Journal of Economic Perspectives* 20(1): 91–116.
- Cheibub, J. A. (1998) Political Regimes and the Extractive Capacity of Governments: Taxation in Democracies and Dictatorships. *World Politics* 50(3): 349–376.
- Cingolani, L. (2013) *The State of State Capacity : a review of concepts, evidence and measures*, Working Paper No. 13. Maastricht: UNU-MERIT, Maastricht University.
- Clapham, C. (1985) *Third world politics: An introduction*. Routledge.
- Cole, J. R. (1993) *Colonialism and Revolution in the Middle East: Social and Cultural Origins of Egypt's 'Urabi Movement*. Princeton University Press.
- Cook, S. A. (2011) *The Struggle for Egypt: From Nasser to Tahrir Square*. Oxford University Press.
- Copans, J. (2001) Afrique noire : un État sans fonctionnaires ? *Autrepart* 20(4/2001): 11–26.
- Crouchley, A. E. (1938) Economic development of modern Egypt.

Daly, M. W. (1998) The British occupation, 1882-1922. In Daly, M. W. (Ed.), *The Cambridge History of Egypt* (Vol. 2). Cambridge University Press.

D'Arcy, M. (2011) *Why do citizens assent to pay tax? Legitimacy, taxation and the African state*, Working Paper No. 126. Afrobarometer.

Daunton, M. J. (2007) *Trusting Leviathan: The Politics of Taxation in Britain, 1799-1914*. Cambridge University Press.

Delatolla, A. (2016) War and state formation in Lebanon: can Tilly be applied to the developing world? *Third World Quarterly* 37(2): 281–298.

Di John, J. (2006) *The political economy of taxation and tax reform in developing countries*, Research Paper No. 74. UNU-WIDER.

Dieleman, M., Toonen, J., Touré, H., and Martineau, T. (2006) The match between motivation and performance management of health sector workers in Mali. *Human Resources for Health* 4(2).

Dioda, L. (2012) *Structural determinants of tax revenue in Latin America and the Caribbean, 1990-2009*, No. Working Paper. UN-ECLAC.

Dorman, W. J. (2007) *The Politics of Neglect: the Egyptian State in Cairo, 1974-98*, PhD. SOAS, University of London.

Dorman, W. J. (2009) Informal Cairo: Between Islamist Insurgency and the Neglectful State? *Security Dialogue* 40(4–5): 419–441.

Dryzek, J. S. (1990) Of Rule and Revenue. By Margaret Levi. (Berkeley: University of California Press, 1988. Pp. 251. \$35.00.). *The Journal of Politics* 52(1): 309–310.

Eckstein, H. (2000) Case study and theory in political science. In Gomm, R., Hammersley, M., and Foster, P. (Eds.), *Case Study Method*. Sage.

Edward, J. R., and Bagozzi, R. P. (2000) On the nature and direction of relationship constructs and measurement. *Psychological Methods* 5(2): 155–174.

Eisenstadt, S. N. (1977) Convergence and Divergence of Modern and Modernizing Societies: indications from the analysis of the structuring of social hierarchies in Middle Eastern societies. *International Journal of Middle East Studies* 8(1): 1–27.

El Rifai, A. H. E. (1929) *Le Mouvement de réforme des impôts directs en Egypte et la Conférence économique de Genève de mai 1927*. Librairie générale de droit et de jurisprudence.

El Sahrawi, M. G. E. (1961) *Die Reformprobleme der ägyptischen Steuerverwaltung*, PhD. Universität Köln.



- El-Gebaly, A.-F. (2013) *Tax Policy and Social Justice in Egypt*. Egyptian Center for Economic and Social Rights.
- El-Mahdi, R. (2011) Labour protests in Egypt: causes and meanings. *Review of African Political Economy* 38(129): 387–402.
- El-Meehy, A. (2009) *Rewriting the Social Contract: The Social Fund and Egypt's Politics of Retrenchment*, PhD. University of Toronto.
- El-Sheikh, R. (1968) The Egyptian taxation system - an evaluation from a long-term development point of view. *L'Égypte Contemporaine* 332(April): 83–99.
- Eltony, N. (2002) *Measuring tax effort in Arab countries*, Working Paper No. 0229. Cairo: Economic Research Forum.
- Erdmann, G., and Engel, U. (2006) *Neopatrimonialism Revisited: Beyond a Catch-All Concept*, Working Paper No. 16. Hamburg: GIGA German Institute of Global and Area Studies.
- Esmeir, S. (2012) *Juridical Humanity: A Colonial History*. Stanford University Press.
- Fahmy, K. (1997) *All the Pasha's Men: Mehmed Ali, His Army and the Making of Modern Egypt*. Cambridge University Press.
- Fahmy, K. (1998) The era of Muhammad 'Ali Pasha, 1805–1848. In Daly, M. W. (Ed.), *The Cambridge History of Egypt*. Cambridge: Cambridge University Press.
- Fairfield, T. (2015) *Private Wealth and Public Revenue*. Cambridge University Press.
- Farag, I. (2001) Un emploi pour un diplôme - L'usure d'un accord tacite (1930-1990). *Égypte/Monde arabe* 2001/4–5: 173–190.
- Fayed, A. A. (2017) The current status of corruption in Egypt. *Contemporary Arab Affairs* 10(4): 510–521.
- Feld, L. P., and Frey, B. S. (2002) Trust breeds trust: How taxpayers are treated. *Economics of Governance* 3(2): 87–99.
- Fenno, R. F. (1978) *Home style: Representatives in their districts*. Little, Brown and Company.
- Finklestone, J. (1996) *Anwar Sadat: Visionary Who Dared*. Routledge.
- Fjeldstad, O.-H. (2004) What's trust got to do with it? Non-payment of service charges in local authorities in South Africa. *The Journal of Modern African Studies* 42(4): 539–562.
- Fjeldstad, O.-H., and Semboja, J. (2001) Why People Pay Taxes: The Case of the

- Development Levy in Tanzania. *World Development* 29(12): 2059–2074.
- Flyvbjerg, B. (2006) Five Misunderstandings About Case-Study Research. *Qualitative Inquiry* 12(2): 219–245.
- Fortin, J. (2010) A tool to evaluate state capacity in post-communist countries, 1989–2006. *European Journal of Political Research* 49(5): 654–686.
- Fortin-Rittberger, J. (2014) The role of infrastructural and coercive state capacity in explaining different types of electoral fraud. *Democratization* 21(1): 95–117.
- Frerichs, S. (2016) Egypt's Neoliberal Reforms and the Moral Economy of Bread Sadat, Mubarak, Morsi. *Review of Radical Political Economics* 48(4): 610–632.
- Fukuyama, F. (2004) The Imperative of State-Building. *Journal of Democracy* 15(2): 17–31.
- Gab Allah, A. M. (1988) *Tatwir el hasila el daribiya fi misr khilal el fatra min sanat 1880-1952 (The development of tax collection in Egypt in the period of 1880-1952)*, PhD. Cairo University, Cairo.
- Gad, M. (2016) *Tahawulat siyasat al ugur al hukumiya min al nasiriya lil khidma al madaniya (Changes in government wages from Nasser to the Civil Service [law])*. Egyptian Center for Economic and Social Rights.
- Gemmell, N. (1988) Tax systems, tax revenue and growth in LDCs: A review of empirical evidence. *Intereconomics* 23(2): 84–90.
- George, A. L., and Bennett, A. (2005) *Case Studies and Theory Development in the Social Sciences*. MIT Press.
- Gerring, J. (2004) What Is a Case Study and What Is It Good for? *American Political Science Review* 98(2): 341–354.
- Gerring, J. (2011) *Social Science Methodology: A Unified Framework*. Cambridge University Press.
- Ghura, D. (1998) *Tax Revenue in Sub-Saharan Africa: Effects of Economic Policies and Corruption*, Working Paper No. 98/135. Washington D.C.: International Monetary Fund.
- Gongora, T. (1997) War Making and State Power in the Contemporary Middle East. *International Journal of Middle East Studies* 29(3): 323–340.
- Haddad, B. (2004) The Formation and Development of Economic Networks in Syria: Implications for Economic and Fiscal Reforms, 1986-2000. In Heydemann, S. (Ed.), *Networks of Privilege in the Middle East: The Politics of Economic Reform Revisited*. Palgrave Macmillan.
- Hall, P. A., and Taylor, R. C. R. (1996) Political Science and the Three New

Institutionalisms. *Political Studies* 44(5): 936–957.

Hamani, O. (2014) We make do and keep going! Inventive practices and ordered informality in the functioning of the district courts in Niamey and Zinder (Niger). In Bierschenk, T. and Olivier de Sardan, J.-P. (Eds.), *States at Work: Dynamics of African Bureaucracies*. Brill.

Handoussa, H. A., and El Oraby, N. (2004) *Civil service wages and reform: the case of Egypt*, Working Paper No. 98. Cairo: Egyptian Center for Economic Studies.

Hanson, J. K., and Sigman, R. (2011) Measuring state capacity: Assessing and testing the options. Presented at the Annual Meeting of the American Political Science Association.

Harbers, I. (2015) Taxation and the unequal reach of the state: Mapping state capacity in Ecuador. *Governance* 28(3): 373–391.

Harders, C. (2003) The Informal Social Pact: The State and the Urban Poor in Cairo. In Kienle, E. (Ed.), *Politics from Above, Politics from Below - The Middle East in the Age of Economic Reform*. Saqi.

Harders, C. (2015) “State Analysis from Below” and Political Dynamics in Egypt after 2011. *International Journal of Middle East Studies* 47(01): 148–151.

Hendriks, J., Keen, M., and Muthoo, A. (1999) Corruption, extortion and evasion. *Journal of Public Economics* 74(3): 395–430.

Herbst, J. (1990) War and the State in Africa. *International Security* 14(4): 117–139.

Hertog, S. (2010) *Princes, Brokers, and Bureaucrats: Oil and the State in Saudi Arabia*. Ithaca, NY: Cornell University Press.

Hertog, S. (2016) *Is There an Arab Variety of Capitalism?*, Working Paper No. 1068. Cairo: Economic Research Forum.

Heydemann, S. ed. (2004) *Networks of Privilege in the Middle East: The Politics of Economic Reform Revisited*. Palgrave Macmillan.

Heydemann, S. (2007) *Upgrading authoritarianism in the Arab world*. Saban Center for Middle East Policy at the Brookings Institution.

Heydemann, S. (2014) Mass politics and the future of authoritarian governance in the Arab world – Project on Middle East Political Science.

Hibou, B. (2011) *The Force of Obedience*. Polity.

Hinnebusch, R. (2010) Toward a historical sociology of state formation in the middle east. *Middle East Critique* 19(3): 201–216.

- Hinrichs, H. H. (1966) *A General Theory of Tax Structure Change during Economic Development*. Law School of Harvard University.
- Holland, A. C. (2014) *Forbearance as Redistribution: Enforcement Politics in Urban Latin America*, PhD. Harvard University.
- Holland, A. C. (2016) Forbearance. *American Political Science Review* 110(2): 232–246.
- Hollenbach, F. M. B. (2015) *Elite Politics and Inequality: The Development of Fiscal Capacity in Authoritarian Regimes*, PhD. Duke University.
- Hunter, F. R. (1984) *Egypt Under the Khedives, 1805-1879: From Household Government to Modern Bureaucracy*. University of Pittsburg Press.
- Hunter, F. R. (1998) Egypt under Muhammad Ali's successors. In Daly, M. W. (Ed.), *The Cambridge History of Egypt* (Vol. 2). Cambridge University Press.
- Hunter, F. R. (2000) State-society relations in nineteenth-century Egypt: the years of transition, 1848–79. *Middle Eastern Studies* 36(3): 145–159.
- Innes, M. (1986) *In Egyptian Service: The Role of British Officials in Egypt, 1911-1936*, PhD. University of Oxford.
- Jaramillo, M. (2009) *Is there demand for formality among informal firms? : Evidence from microfirms in downtown Lima*. DIE - Deutsches Institut für Entwicklungspolitik.
- Johnson, P. (1972) Egypt Under Nasser. *MERIP Reports* (10): 3–14.
- Joshi, A., and Aye, J. (2008) Associational taxation: A pathway into the informal sector? In Brautigam, D., Fjeldstad, O.-H., and Moore, M. (Eds.), *Taxation and State-Building in Developing Countries - Capacity and Consent*. Cambridge University Press.
- Joshi, A., Prichard, W., and Heady, C. (2012) *Taxing the Informal Economy: Challenges, Possibilities and Remaining Questions*, Working Paper No. 4. Institute of Development Studies.
- Joshi, A., Prichard, W., and Heady, C. (2014) Taxing the Informal Economy: The Current State of Knowledge and Agendas for Future Research. *Journal of Development Studies* 50(10): 1325–1347.
- Joya, A. (2011) The Egyptian revolution: Crisis of neoliberalism and the potential for democratic politics. *Review of African Political Economy* 38(129): 367–386.
- Kahan, D. M. (2000) Gentle Nudges vs. Hard Shoves: Solving the Sticky Norms Problem. *The University of Chicago Law Review* 67(3): 607–645.

- Kaldor, N. (1963) Taxation for economic development. *The Journal of Modern African Studies* 1(1): 7–23.
- Kamrava, M. (2002) The Politics of Weak Control: State Capacity and Economic Semi-Formality in the Middle East. *Comparative Studies of South Asia, Africa and the Middle East* 22(1): 43–52.
- Kamrava, M. (2014) The Rise and Fall of Ruling Bargains in the Middle East. In Kamrava, M. (Ed.), *Beyond the Arab Spring: The Evolving Ruling Bargain in the Middle East*. Oxford University Press.
- Kandil, H. (2016) *The Power Triangle: Military, Security, and Politics in Regime Change*. Oxford University Press.
- Kapiszewski, D., MacLean, L. M., and Read, B. L. (2015) *Field Research in Political Science: Practices and Principles*. Cambridge University Press.
- Kaplanoglou, G., and Rapanos, V. T. (2013) Tax and Trust: The Fiscal Crisis in Greece. *South European Society and Politics* 18(3): 283–304.
- Kararah, M. A. el-Halim (1928) *Das Finanzwesen Aegyptens*. Deutsche Gesellschaft für Islamkunde.
- Karl, T. L. (1997) *The paradox of plenty: Oil booms and petro-states*. University of California Press.
- Katznelson, I., and Weingast, B. R. (2005) Intersections between historical and rational choice institutionalism. *Preferences and situations* : 1–26.
- Keen, M. (2013) Taxation and Development - Again. In Fuest, C. and Zodrow, G. R. (Eds.), *Critical Issues in Taxation and Development*. MIT Press.
- Kelly, R. (2000) Designing a Property Tax Reform Strategy for Sub-Saharan Africa: An Analytical Framework Applied to Kenya. *Public Budgeting & Finance* 20(4): 36–51.
- Khan, M. H. (2001) Agricultural taxation in developing countries: a survey of issues and policy. *Agricultural Economics* 24(3): 315–328.
- Kienle, E. (2001) *A Grand Delusion: Democracy and Economic Reform in Egypt*. I.B. Tauris.
- Kienle, E. (2003) *Politics from Above, Politics from Below - The Middle East in the Age of Economic Reform*. Saqi.
- Kienle, E. (2004) Reconciling Privilege and Reform: Fiscal Policy in Egypt, 1991–2000. In Heydemann, S. (Ed.), *Networks of Privilege in the Middle East: The Politics of Economic Reform Revisited*. Palgrave Macmillan.
- Kienle, E. (2012) Egypt without Mubarak, Tunisia after Bin Ali: theory, history

- and the ‘Arab Spring’. *Economy and Society* 41(4): 532–557.
- King, S. J. (2009) *The New Authoritarianism in the Middle East and North Africa*. Indiana University Press.
- Kiser, E. (1994) Markets and hierarchies in early modern tax systems: a principal-agent analysis. *Politics & Society* 22(3): 284–315.
- Kiser, E., and Sacks, A. (2011) African Patrimonialism in Historical Perspective Assessing Decentralized and Privatized Tax Administration. *The ANNALS of the American Academy of Political and Social Science* 636(1): 129–149.
- Kiser, E., and Tong, X. (1992) Determinants of the Amount and Type of Corruption in State Fiscal Bureaucracies: An Analysis of Late Imperial China. *Comparative Political Studies* 25(3): 300–331.
- Kjaer, A. M. (2009) Sources of local government extractive capacity: the role of trust and pre-colonial legacy in the case of Uganda. *Public administration and development* 29(3): 228–238.
- Knutsen, C. H. (2013) Democracy, State Capacity, and Economic Growth. *World Development* 43: 1–18.
- Koch, H.-J. (1987) *Verwaltungskultur in Ägypten*. Arnold-Bergstraesser-Institut.
- Kurtz, M. J. (2013) *Latin American State Building in Comparative Perspective: Social Foundations of Institutional Order*. Cambridge University Press.
- Lachapelle, J. (2012) Lessons from Egypt’s Tax Collectors. *Middle East Report* 42(264): 38–41.
- Le, T. M., Moreno-Dodson, B., and Bayraktar, N. (2012) *Tax capacity and tax effort: Extended cross-country analysis from 1994 to 2009*, Working Paper. World Bank.
- Lentz, C. (2014) “I take an oath to the state, not the government”: career trajectories and professional ethics of Ghanaian public servants. In Bierschenk, T. and Olivier de Sardan, J.-P. (Eds.), *States at Work: Dynamics of African Bureaucracies*. Brill.
- Lesch, A. M. (2011) Egypt’s Spring: Causes of the Revolution. *Middle East Policy* 18(3): 35–48.
- Lévi, I. G. (1922) L’Augmentation des Revenus de L’Etat: Possibilites et Moyen d’y Parvenir. *L’Égypte Contemporaine* 68: 696–617.
- Lévi, I. G. (1935) L’inflation de l’impôt sur la propriété bâtie. *L’Égypte Contemporaine* : 265–281.
- Levi, M. (1988) *Of Rule and Revenue*. University of California Press.

- Levi, M., Sacks, A., and Tyler, T. (2009) Conceptualizing Legitimacy, Measuring Legitimizing Beliefs. *American Behavioral Scientist* 53(3): 354–375.
- Levy, J. S. (2007) Qualitative Methods and Cross-Method Dialogue in Political Science. *Comparative Political Studies* 40(2): 196–214.
- Levy, J. S. (2008) Case Studies: Types, Designs, and Logics of Inference. *Conflict Management and Peace Science* 25(1): 1–18.
- Lieberman, E. S. (2002) Taxation data as indicators of state-society relations: Possibilities and pitfalls in cross-national research. *Studies in Comparative International Development* 36(4): 89–115.
- Lipsky, M. (1980) *Street-Level Bureaucracy: The Dilemmas of the Individual in Public Service*. Russell Sage Foundation.
- Lotz, J. R., and Morss, E. R. (1970) A Theory of Tax Level Determinants for Developing Countries. *Economic Development and Cultural Change* 18(3): 328–341.
- Lucas, V., and Richter, T. (2016) State hydrocarbon rents, authoritarian survival and the onset of democracy: Evidence from a new dataset. *Research & Politics* 3(3): 1–9.
- Luciani, G. (1990) Allocation vs. production states: A theoretical framework. In Beblawi, H. and Luciani, G. (Eds.), *The Arab State*. University of California Press.
- Lustick, I. S. (1996) History, Historiography, and Political Science: Multiple Historical Records and the Problem of Selection Bias. *The American Political Science Review* 90(3): 605–618.
- Mahdavi, S. (2008) The level and composition of tax revenue in developing countries: Evidence from unbalanced panel data. *International Review of Economics & Finance* 17(4): 607–617.
- Mahdavy, H. (1970) The patterns and problems of economic development in Rentier States: the case of Iran. *Studies in the economic history of the Middle East : from the rise of Islam to the present day* : 428–467.
- Mann, M. (1984) The autonomous power of the state: its origins, mechanisms and results. *European Journal of Sociology / Archives Européennes de Sociologie* 25(02): 185–213.
- Mansfield, C. Y. (1988) Tax administration in developing countries: an economic perspective. *IMF Economic Review* 35(1): 181–197.
- Martin, I. W., and Prasad, M. (2014) Taxes and fiscal sociology. *Annual Review of Sociology* 40: 331–345.

- Mayfield, J. B. (1971) *Rural Politics in Nasser's Egypt: A Quest for Legitimacy*. University of Texas Press.
- Mayfield, J. B. (2012) *Field of Reeds: Social, Economic and Political Change in Rural Egypt: in Search of Civil Society and Good Governance*. AuthorHouse.
- Meagher, K. (2012) The Strength of Weak States? Non-State Security Forces and Hybrid Governance in Africa. *Development and Change* 43(5): 1073–1101.
- Meagher, K. (2016) Taxing Times: Taxation, Divided Societies and the Informal Economy in Northern Nigeria. *Journal of Development Studies* 54(1): 1–17.
- Meagher, K., De Herdt, T., and Titeca, K. (2014) *Unravelling public authority: Paths of hybrid governance in Africa*, Working Paper No. 10. IS Academy.
- Michel, B. (1923) Étude sur les Recettes de l'État Égyptien. *Égypte Contemporaine* 72(Avril): 292–343.
- Migdal, J. S. (1988) *Strong societies and weak states: state-society relations and state capabilities in the Third World*. Princeton University Press.
- Migdal, J. S. (2001) *State in society : studying how states and societies transform and constitute one another /*. Cambridge University Press.
- Mishler, W., and Rose, R. (2001) What Are the Origins of Political Trust?: Testing Institutional and Cultural Theories in Post-communist Societies. *Comparative Political Studies* 34(1): 30–62.
- Mitchell, T. (1988) *Colonising Egypt*. University of California Press.
- Mitchell, T. (1991) The Limits of the State: Beyond Statist Approaches and Their Critics. *American Political Science Review* 85(1): 77–96.
- Mitchell, T. (2002) *Rule of Experts: Egypt, Techno-politics, Modernity*. University of California Press.
- Moore, C. H. (1980) *Images of Development: Egyptian engineers in search of industry*. MIT Press.
- Moore, M. (2004) Revenues, State Formation, and the Quality of Governance in Developing Countries. *International Political Science Review* 25(3): 297–319.
- Morrissey, O. (1995) Political commitment, institutional capacity and tax policy reform in Tanzania. *World Development* 23(4): 637–649.
- Mukherjee, R. (2001) *Total Rewards for Civil Servants*, Working Paper. PREM Network.
- Nada, M. (2014) The Politics and Governance of Implementing Urban Expansion Policies in Egyptian Cities. *Égypte/Monde arabe* 2014/1(11): 145–176.



OECD (2011) *Tax Administration in OECD and Selected Non- OECD Countries: Comparative Information Series (2010)*. OECD.

Ogbor, J. (2009) *Entrepreneurship in Sub-Saharan Africa: A Strategic Management Perspective*. AuthorHouse.

Olivier de Sardan, J.-P. (2008) *Researching the practical norms of real governance in Africa*, Working Paper No. 5. Overseas Development Institute.

Olivier de Sardan, J.-P. (2014) The Delivery State in Africa. Interface Bureaucrats, Professional Cultures and the Bureaucratic Mode of Governance. In Bierschenk, T. and Olivier de Sardan, J.-P. (Eds.), *States at Work - Dynamics of African Bureaucracies*. Brill.

Olivier de Sardan, J.-P., and Ridde, V. (2015) Public policies and health systems in Sahelian Africa: theoretical context and empirical specificity. *BMC Health Services Research* 15(Supplement 3): 1–10.

Owen, R. (1981) *The Middle East in the world economy, 1800-1914*. I.B. Tauris.

Palmer, M., Leila, A., and El Sayed, Y. (1988) *The Egyptian Bureaucracy*. Syracuse University Press.

Panza, L., and Williamson, J. G. (2015) Did Muhammad Ali foster industrialization in early nineteenth-century Egypt? *Economic History Review* 68(1): 79–100.

Pawelka, P. (1985) *Herrschaft und Entwicklung im Nahen Osten: Ägypten*. (Vol. 1384). CF Müller Juristischer Verlag.

Pessino, C., and Fenochietto, R. (2010) Determining countries' tax effort. *Revista de Economía Pública* 195(4/2010): 65–87.

Polanyi, K. (1957) The economy as instituted process. In Polanyi, K., Arensberg, C. M., and Pearson, H. W. (Eds.), *Trade and Market in the Early Empires*. Free Press.

Prichard, W. (2015) *Taxation, Responsiveness and Accountability in Sub-Saharan Africa: The Dynamics of Tax Bargaining*. Cambridge University Press.

Prichard, W., Cobham, A., and Goodall, A. (2014) *The ICTD Government Revenue Dataset*, Working Paper No. 19. Institute of Development Studies.

Prichard, W., and van den Boogaard, V. (2017) Norms, Power, and the Socially Embedded Realities of Market Taxation in Northern Ghana. *African Studies Review* 60(1): 171–194.

Profeta, P., and Scabrosetti, S. (2010) *The Political Economy of Taxation: Lessons from Developing Countries*. Edward Elgar Publishing.

- Qotb, M. M. M. (2006) *El idara el maliya fi 'ahd Mohammed Ali (The financial administration in the era of Mohammed Ali)*, Magister. Cairo University.
- Radian, A. (1980) *Resource Mobilization in Poor Countries: Implementing Tax Policies*. Transaction Publishers.
- Ramalho, R. (2007) *Adding a million taxpayers*. Washington D.C.: World Bank.
- Reeskens, T., and Wright, M. (2013) Nationalism and the Cohesive Society: A Multilevel Analysis of the Interplay Among Diversity, National Identity, and Social Capital Across 27 European Societies. *Comparative Political Studies* 46(2): 153–181.
- Reid, D. M. (1998) The 'Urabi revolution and the British conquest, 1879–1882. In Daly, M. W. (Ed.), *The Cambridge History of Egypt* (Vol. 2). Cambridge University Press.
- Ricci, U. (1938) La Réforme Fiscale en Égypte. *L'Égypte Contemporaine* 29: 315–367.
- Rihoux, B. (2006) Qualitative Comparative Analysis (QCA) and Related Systematic Comparative Methods: Recent Advances and Remaining Challenges for Social Science Research. *International Sociology* 21(5): 679–706.
- Roll, S. (2016) Managing change: how Egypt's military leadership shaped the transformation. *Mediterranean Politics* 21(1): 23–43.
- Rothstein, B. (2000) Trust, social dilemmas and collective memories. *Journal of Theoretical Politics* 12(4): 477–501.
- Rothstein, B. (2011) *The quality of government: Corruption, social trust, and inequality in international perspective*. University of Chicago Press.
- Rothstein, B., and Stolle, D. (2008) The state and social capital: An institutional theory of generalized trust. *Comparative politics* 40(4): 441–459.
- Rothstein, B., and Uslaner, E. M. (2005) All for All: Equality, Corruption, and Social Trust. *World Politics* 58(1): 41–72.
- Rutherford, B. K. (2013) *Egypt after Mubarak: liberalism, Islam, and democracy in the Arab world*. Princeton University Press.
- Said, M. (2015) Wages and inequality in the Egyptian labor market in an era of financial crisis and revolution. In Assaad, R. and Krafft, C. (Eds.), *The Egyptian Labor Market in an Era of Revolution*. Oxford University Press.
- Sayed, F. H. (2004) Innovation in public administration: The case of Egypt. Presented at the “Programme for the Promotion of Exchange of Administrative Innovation between Europe and the Mediterranean Region” UNDESA.

- Sayyid-Marsot, A. L. (1977) *Egypt's Liberal Experiment, 1922-1936*. University of California Press.
- Sayyid-Marsot, A. L. (1984) *Egypt in the Reign of Muhammad Ali*. Cambridge University Press.
- Sayyid-Marsot, A. L. (1985) *A Short History of Modern Egypt*. Cambridge University Press.
- Schatz, E. (2009) Ethnographic immersion and the study of politics. In Schatz, E. (Ed.), *Political Ethnography: What Immersion Contributes to the Study of Power*. University of Chicago Press.
- Scheve, K., and Stasavage, D. (2010) The Conscription of Wealth: Mass Warfare and the Demand for Progressive Taxation. *International Organization* 64(4): 529–561.
- Schlumberger, O. (2008) Structural reform, economic order, and development: Patrimonial capitalism. *Review of International Political Economy* 15(4): 622–649.
- Scholz, J. T., and Pinney, N. (1995) Duty, Fear, and Tax Compliance: The Heuristic Basis of Citizenship Behavior. *American Journal of Political Science* 39(2): 490–512.
- Scott, J. C. (1977) *The moral economy of the peasant: Rebellion and subsistence in Southeast Asia*. Yale University Press.
- Scott, J. C. (1985) *Weapons of the weak: Everyday forms of peasant resistance*. Yale University Press.
- Scott, J. C. (1998) *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed*. Yale University Press.
- Seddon, D. (1990) The Politics of Adjustment: Egypt and the IMF, 1987–1990.
- Sen Gupta, A. (2007) *Determinants of tax revenue efforts in developing countries*, Working Paper No. 07/184. Washington D.C.: International Monetary Fund.
- Shalakany, A. (2006) 'I heard it all before' Egyptian tales of law and development. *Third World Quarterly* 27(5): 833–853.
- Sharma, A., and Gupta, A. eds. (2006) *The Anthropology of the State: A Reader*. John Wiley & Sons.
- Singerman, D. (1995) *Avenues of participation: Family, politics, and networks in urban quarters of Cairo*. Princeton University Press.
- Slemrod, J. (1992) *Why people pay taxes: Tax compliance and enforcement*.

University of Michigan Press.

Slemrod, J. (2002) *Trust in public finance*, Working Paper No. 9187. National Bureau of Economic Research.

Small, M. L. (2009) 'How many cases do I need?' On science and the logic of case selection in field-based research. *Ethnography* 10(1): 5–38.

Soifer, H. D. (2008) State Infrastructural Power: Approaches to Conceptualization and Measurement. *Studies in Comparative International Development* 43(3–4): 231–251.

Soifer, H., and vom Hau, M. (2008) Unpacking the Strength of the State: The Utility of State Infrastructural Power. *Studies in Comparative International Development* 43(3–4): 219–230.

Soliman, S. (2004) *Argent de l'État et politique : La sortie difficile de l'État rentier en Égypte sous Moubarak*, PhD. Institut d'Études Politiques de Paris/Sciences Po.

Soliman, S. (2011) *The Autumn of Dictatorship: Fiscal Crisis and Political Change in Egypt under Mubarak*. Stanford University Press.

Sorensen, G. (2001) War and State-Making: Why Doesn't it Work in the Third World? *Security Dialogue* 32(3): 341–354.

Springborg, R. (1979) Patrimonialism and policy making in Egypt: Nasser and Sadat and the tenure policy for reclaimed lands. *Middle Eastern Studies* 15(1): 49–69.

Stotsky, J. G., and Woldemariam, A. (1997) *Tax Effort in Sub-Saharan Africa*, Working Paper No. 97/107. Washington D.C.: International Monetary Fund.

Sullivan, D. J. (1990) The Political Economy of Reform in Egypt. *International Journal of Middle East Studies* 22(3): 317–334.

Tanzi, V. (1992) 12 Structural factors and tax revenue in developing countries: a decade of evidence. In Goldin, I. and Winters, L. A. (Eds.), *Open Economies: Structural Adjustment and Agriculture*. Cambridge University Press.

Tanzi, V. (1996) *Globalization, tax competition and the future of tax systems*, Working Paper No. 96/141. Washington D.C.: International Monetary Fund.

Tanzi, V., and Zee, H. H. (2000) Tax Policy for Emerging Markets: Developing Countries. *National Tax Journal* 53(2): 299–322.

Tendler, J. (2002) Small Firms, the Informal Sector, and the Devil's Deal. *IDS Bulletin* 33(3): 1–15.

Therkildsen, O. (2014) Working in Neopatrimonial Settings: Public Sector Staff

Perceptions in Tanzania and Uganda. In Bierschenk, T. and Olivier de Sardan, J.-P. (Eds.), *States at Work - Dynamics of African Bureaucracies*. Brill.

Thies, C. G. (2004) State Building, Interstate and Intrastate Rivalry: A Study of Post-Colonial Developing Country Extractive Efforts, 1975–2000. *International Studies Quarterly* 48(1): 53–72.

Thies, C. G. (2005) War, rivalry, and state building in Latin America. *American Journal of Political Science* 49(3): 451–465.

Thies, C. G. (2010) Of rulers, rebels, and revenue: State capacity, civil war onset, and primary commodities. *Journal of Peace Research* 47(3): 321–332.

Thompson, E. P. (1971) The moral economy of the English crowd in the eighteenth century. *Past & Present* 50(February): 76–136.

Tignor, R. L. (1966) *Modernization and British Colonial Rule in Egypt, 1882-1914*. Princeton University Press.

Tilly, C. (1990) *Coercion, capital, and European states, AD 990-1990*. Blackwell Oxford.

Tohamy, S. (1999) Tax Administration and Transactions Costs in Egypt. In Fawzy, S. and Galal, A. (Eds.), *Partners for Development: New Roles for Government and Private Sector in the Middle East and North Africa*. IBRD/World Bank.

Toledano, E. R. (1998) Social and economic change in the ‘long nineteenth century’. In Daly, M. W. (Ed.), *The Cambridge History of Egypt* (Vol. 2). Cambridge University Press.

Torgler, B. (2003) Tax Morale, Rule-Governed Behaviour and Trust. *Constitutional Political Economy* 14(2): 119–140.

Torgler, B., and Schneider, F. (2007) *Shadow Economy, Tax Morale, Governance and Institutional Quality: A Panel Analysis*, Working Paper No. 1923. CESifo.

Twijnstra, R., Hilhorst, D., and Titeca, K. (2014) Trade networks and the practical norms of taxation at a border crossing between South Sudan and Northern Uganda. *Journal of Eastern African Studies* 8(3): 382–399.

USAID (2006) *USAID Assistance in Fiscal Reform*. USAID.

Uslaner, E. M. (2002) Trust and Corruption. Presented at the Annual Meeting of the American Political Science Association.

Uslaner, E. M., and Rothstein, B. (2016) The Historical Roots of Corruption: State Building, Economic Inequality, and Mass Education. *Comparative Politics* 48(2): 227–248.

van de Walle, N., Ball, N., and Ramachandran, V. eds. (2006) *Beyond Structural*

- Adjustment: The Institutional Context of African Development*. Springer.
- Vatikiotis, P. J. (1991) *The History of Modern Egypt: From Muhammad Ali to Mubarak*. Johns Hopkins University Press.
- Vitalis, R. (1999) Review of *The Price of Wealth: Economies and Institutions in the Middle East*. *International Journal of Middle East Studies* 31(4): 659–661.
- vom Hau, M. (2008) State Infrastructural Power and Nationalism: Comparative Lessons from Mexico and Argentina. *Studies in Comparative International Development* 43(3–4): 334.
- von Soest, C. (2007) How Does Neopatrimonialism Affect the African State's Revenues? The Case of Tax Collection in Zambia. *Journal of Modern African Studies* 45(4): 621–645.
- von Soest, C. (2010) What neopatrimonialism is – Six questions to the concept. Presented at the GIGA-Workshop 'Neopatrimonialism in various World Regions' Hamburg: GIGA German Institute of Global and Area Studies.
- von Soest, C., Bechle, K., and Korte, N. (2011) How Neopatrimonialism Affects Tax Administration: a comparative study of three world regions. *Third World Quarterly* 32(7): 1307–1329.
- Wahba, M. M. (1986) *The role of the state in the Egyptian economy : 1945-1981.*, PhD. University of Oxford.
- Waldner, D., and Smith, B. (2015) Rentier States and State Transformations. In Leibfried, S., Huber, E., Lange, M., Levy, J. D., Nullmeier, F., and Stephens, J. D. (Eds.), *The Oxford Handbook of Transformations of the State*. Oxford University Press.
- Waterbury, J. (1976) Corruption, political stability and development: comparative evidence from Egypt and Morocco. *Government and Opposition* 11(4): 426–445.
- Waterbury, J. (1983) *The Egypt of Nasser and Sadat: The Political Economy of Two Regimes*. Princeton University Press.
- Webber, C., and Wildavsky, A. B. (1986) *A history of taxation and expenditure in the Western world*. Simon & Schuster.
- Wedeen, L. (2010) Reflections on Ethnographic Work in Political Science. *Annual Review of Political Science* 13(1): 255–272.
- Wenzel, M. (2004) An analysis of norm processes in tax compliance. *Journal of Economic Psychology* 25(2): 213–228.
- Wenzel, M. (2005) Motivation or rationalisation? Causal relations between ethics, norms and tax compliance. *Journal of Economic Psychology* 26(4): 491–508.

Wickham, C. R. (2005) *Mobilizing Islam: Religion, activism and political change in Egypt*. Columbia University Press.

Wils, O. (2004) From negotiation to rent seeking, and back? Patterns of state—business interaction and fiscal policy reform in Jordan. In Heydemann, S. (Ed.), *Networks of Privilege in the Middle East: The Politics of Economic Reform Revisited*. Palgrave Macmillan.

World Bank (2004) *Unlocking the Employment Potential in the Middle East and North Africa: Toward a New Social Contract*. World Bank Publications.

Wurzel, U. G. (2004) Patterns of resistance: economic actors and fiscal policy reform in Egypt in the 1990s. In Heydemann, S. (Ed.), *Networks of Privilege in the Middle East: The Politics of Economic Reform Revisited*. Palgrave Macmillan.

Yallouz, A. (1942) *Chronique Législative et Parlementaire 1939-1940. Égypte Contemporaine*.

Yanguas, P., and Bukenya, B. (2016) ‘New’ approaches confront ‘old’ challenges in African public sector reform. *Third World Quarterly* 37(1): 136–152.

Yousef, T. M. (2002) Egypt’s Growth Performance Under Economic Liberalism: A Reassessment With New GDP Estimates, 1886–1945. *Review of Income and Wealth* 48(4): 561–579.

Zahid, M. (2010) The Egyptian nexus: the rise of Gamal Mubarak, the politics of succession and the challenges of the Muslim Brotherhood. *Journal of North African Studies* 15(2): 217–230.

