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Articles

Inequality and tax regressivity during the Brazilian independence (1808-1836)

Desigualdad y regresividad fiscal durante la independencia de Brasil (1808-1836)

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Abstract. This paper aims to discuss some aspects of the taxation system genesis and to present a brief highlight about the Bank of Brazil and the National Treasury's role in the Brazilian economic policy during the nineteenth century. We also discuss the main state and social aspects of Brazilian taxation: regressivity and fiscal privileges to the richer classes. Our goal is to indicate the conflictive nature of these institutions, as well as the distinct options that materialized in the Brazilian State formation first moments. We emphasize that the Brazilian economic formation was not unalterable and inevitable.

Keywords: taxation; State formation; Brazilian empire.

Resumen. Este artículo tiene como objetivos discutir algunos aspectos de la génesis del sistema tributario y presentar un breve resumen sobre la participación del Banco de Brasil y del Tesoro Nacional en la política económica brasileña durante el siglo XIX. También discutimos los principales aspectos sociales y estatales de la tributación brasileña: regresividad y privilegios fiscales a las clases más ricas. Nuestro objetivo es señalar la naturaleza conflictiva de estas instituciones, así como las distintas opciones que se materializaron en los primeros momentos de la formación del Estado brasileño. Destacamos que la formación económica brasileña no fue inalterable e inevitable.

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INTRODUCTION

This article aims to analyse some aspects of the Brazilian economic and fiscal development during the nineteenth century, having in perspective the State's primary social and institutional aspects, that is, the inequality and regressivity of its taxation system. The central hypothesis is that in the first moments of Brazilian State consolidation, a taxation system was gradually built, mostly, on indirect taxes. The direct or progressive taxes are excluded from its collection, practically exempting large farms, income, and agricultural production for exportation. Thus, the tax burden relayed on the commerce, consumption, and circulation of basic goods was supported especially by the urban and poorest part of the society.¹

The choice for taxation as an analysis' instrument is explained by the approach related to the National State formation, especially the interrelation between history, economics, and sociology, crucial for understanding the State as a historical phenomenon (Schumpeter, 1991). By analysing taxation at this period, it is possible to identify the institutions that composed the State, the relation with the ruler class, the resistances to taxation and the emergence of rights, and political representation (Costa, 2003a). We can relate the state capacity, the equilibrium between accumulation and income redistribution to taxation, and, mainly, the social nature of each government system (Bräutigam, 2008).

As pointed out by Charles Tilly about the European States, the stimulus for the increase of State capacity, as the development of its institutions, was generated by the expansion of government expenses in a military expedient and, concomitantly, by the tax extraction professionalization (Tilly, 1995). However, in Latin America, the internal or external conflicts were not followed by an increase in State capacity, especially concerning domestic taxation. On the contrary, according to Miguel Angel Centeno, it was necessary to benefit some groups intending to ensure internal stability. Likewise, the availability of foreign loans allowed these new countries to finance their debts without expanding their tax collection basis (Centeno, 1997).

Concerning Brazil, the analysis by Miguel Angel Centeno is pertinent because it focuses on internal conflicts and the Government's inability to increase the tax burden. Considering the delicate situation of Brazilian finances after the Independence (1822), organising the bureaucracy was

¹ This article presents some questions discussed in Ramos, E. (2018). *Centralização e privilégio: Instituições econômicas e fiscalidade na formação do Estado brasileiro (1808-1836)* (Master thesis). University of São Paulo, Brasil.

a complex agenda, especially under military conflicts and diplomatic spending. The issue of paper currency by the Bank of Brazil and the external loans were an immediate and simple way to compensate for the rising public debt (Carrara, 2015). This solution was adopted as a consequence of the landowner and the merchants' resistance to accepting increases in the tax burden (Carvalho, 2010). During the first moments of Brazilian State formation, in which it was necessary to ensure national unity, the conflict with the economic elite had to be avoided since it was precisely who provided political and economic support to the newly established Empire.

Summarizing some studies about Brazilian taxation during the first half of the nineteenth century, Marcia Miranda e Wilma Costa identified the fiscal bases' complex construction. Ruptures and continuities defined the formation of local taxation in Brazil at that period since it involved different projects and alternatives. Thus, the transference of the Portuguese Court in 1808, the opening of Brazilian seaports, and the institutions and domestic taxation reforms inaugurated a new meaning to Brazilian tax collection. The resource extraction was now centered in Brazil and some taxes were implemented all around Brazilian territory, even without diminishing the weak relation between the new Centre and its parts and the private economic interests influence, especially in the public revenues' auctions (Costa and Miranda, 2010).

This process did not take place only in Brazil and, as pointed out by Juan Carlos Garavaglia when he was studying the fiscal transition in New Spain, the disintegration of the Spanish colonies and the transition to a group of independent republics created new necessities to finance the independence wars. Just as happened in Brazil, the establishment of new taxes was limited by consolidated powers. Consequently, it caused the predominance of indirect taxes –especially those related to goods circulation and international trade– and the deficient introduction of new taxes in the Latin American taxation system. Most of the public debt, principally the extraordinary one, was paid with paper currency, external credit, and other government bonds (Garavaglia, 2010).

Nevertheless, the taxation system of other Latin American countries was different from the Brazilian system in a particular aspect: the early establishment of some taxes that lie with land property, and wealth. However, this earliness had not obtained the expected results. What we observed is that historically consolidated interests frustrated the formulation of direct taxes. That was the case of Mexico, which had its first direct tax on wealth adopted in 1836. The collection of this tax continued until 1841 when it was abolished, and the poll tax was restored. A similar process occurred in Colombia, Ecuador, Venezuela, and Panamá. It was only in Argentina that an income tax was implemented with relative success (Pinto, 2013).

In Europe, the context was not so different from what we observed in Latin America. Although it is possible to establish some similarities, like indirect taxes that constitute most of the tax revenue in the nineteenth century, throughout that same century there was some growing and slow introduction of direct taxation. Even with this initial experience, as suggested by Schremmer (1989) for the Britain, Germany, and France case, the “indirect taxation of domestic consumption remained by far the largest and most productive source of public revenue up to the First World War”.

Using the progressive income tax data and applying the Thomas Piketty methodology (Piketty and Atkinson, 2010), Pedro Souza recently analysed the income concentration and economic inequality in Brazil during 1926 and 2013. Within this database, the author noticed some instability in the income concentration level, interspersing moments of more and lesser concentration. However, in comparison with other countries, since the beginning of the twentieth century, Brazil already had higher levels of income concentration, being considered much more unequal than the

other countries in the same period (Souza, 2018). Thus, it is not an exaggeration to claim that part of this inequality was a result of the Brazilian taxation policy implemented in the nineteenth century. Certainly, this does not mean that Brazilian inequality is only due to this fact. It is important to remember that a large part of the population, such as women, indigenous and black people, was excluded from the political debate, either by the limitation to vote or even by the slavery, which structured Brazilian society.

Although the historiographic discussion about the various aspects of State formation in Brazil is considerable, the problems about taxation had not received enough attention. Given the prominent role that finance, or even taxation, achieved in the Modern States formation process, it is necessary to replace this subject in Brazilian historiography. Therefore, this article aims to contribute to this discussion by providing a different way of addressing it, that is, establishing taxation as a determinant aspect of the Brazilian State's social and institutional character. The fiscal strategies adopted by the ruling class are closely connected with the government taxation policy during the nineteenth century, which unfolded throughout the Brazilian historical journey in so many ways.

ECONOMIC, INSTITUTIONAL, AND TAXATION REFORMS IN BRAZIL AFTER 1808

In the last decades of the eighteenth century and the first of the nineteenth, a series of events that would profoundly change the Western political and economic reality occurred, especially in Europe and America. In the first one, the advance of the Industrial Revolution and the political renewal spearheaded by the French Revolution of 1789 shaped the European political and economic scene throughout the nineteenth century. In America, these political changes began earlier with the Independence of the Thirteen Colonies in 1776. In addition to that, a series of Independence Wars swept the Spanish colonies throughout the first years of the following century. In Brazil, the immediate result of the Napoleonic Wars, which followed the Revolution of 1789, was the Portuguese Court transfer to Rio de Janeiro in 1808.

In this first moment, a series of innovations were implemented in the economic and social structures of the Portuguese colony. The central role assumed by Rio de Janeiro for the Portuguese Empire, until 1821, and for Brazil, after Independence, became more evident. After implementing the main institutions of its bureaucratic administration, the Portuguese Crown endowed the colony with the fundamental instruments for a certain homogeneity of territory. While ensuring the maintenance of slavery and the social dominance that the landowners had, the new reality allowed Brazil to cross its political separation from Portugal without major political fractures and social disruption (Ramos, 2018).

One of the first changes in the institutional framework occurred with the implementation of the Royal Treasury and the Treasury Council as the finance lead institution in Brazil.² Besides the simple existence of these institutions for the financial reorganisation, its role was also crucial regarding the decision-making of the Portuguese Empire and, consequently, its finances, now situated in Rio de Janeiro. The presence of the Finance Council had the goal to centralise and give meaning to the series of procedures that were previously under the other department's purview. In the case of the Royal Treasury, which had more contact with the Court daily life, the management of the financial matter began to be exercised at the level of a Secretary of State, but still through the Royal Treasury (Martins, 2007).

² Decree of 11 March, 1808. In Chamber of Deputies, Brazil (1891, t. 1, pp. 4-5).

Installed in 1808, the Bank of Brazil was another institution of vital importance to the Court's financial health. Established because of the "circumstances of the state that the Royal Treasury [can] not carry out the funds on which the monarchy is maintained", the bank was responsible for several commercial operations. Additionally, it was responsible for financing the growing expenditure of the royal bureaucracy. In his analysis of the First Bank of Brazil's founding and operation, José Luis Cardoso found that the Bank had been created initially to accelerate the Court's expenses, to provide cash for commercial transactions to make public works. Even after Independence, according to the author, debt solutions and the constant issuance of fiduciary money were continued, with no apparent changes in that role during the Johannine period (Cardoso, 2010).

In the same view, Thiago Gambi considered that, although it was organised as an autonomous institution, the bank should essentially pay for the public debt. In the author's words, "the first Bank of Brazil not only sustained financially the state, as was, in fact, the bank of the Portuguese Court in the tropics". As José Cardoso, Thiago Gambi did not identify an apparent change in the Bank of Brazil's role after Independence because it continued to finance the even more growing indebtedness of the independent State (Gambi, 2015).

In the taxation field, the first and main alteration of the tax system occurred with the opening of the seaports to the nations that had a peaceful relationship with Portugal in 1808. The general tariff was fixed at 24% *ad valorem* for all imported products, except wet goods –wines, liqueurs, spirits, olive oils, etc.– doubled, *i. e.*, 48% *ad valorem*.³ This differentiation was necessary precisely to compensate for the other imported products' low taxes.

Even though it did represent the legalisation of the situation that had already been in place, especially through the action of smugglers, the seaports opening marked the first turning point in taxation patterns. Taxes collected at customs on the imported products became the tax revenue main source. This new configuration was modified in February 1810, when the Treaties of Commerce and Navigation were established. With the treaties, English goods entering customs would be subject to a rate of 15% *ad valorem*.⁴ In practice, the British began to enjoy advantages even over the Portuguese –who took 16% of the imported goods. If on the one hand, the import tariff reduction of English goods led to a decrease in the living cost in Rio de Janeiro, on the other hand, it constituted an obstacle to the trade relations with other nations (Almeida, 2017).

Throughout the Johannine period, other tributes were created focusing especially on properties and their transmission, services, production, commercial. Among these we can cite the *décima urbana* (urban tenth); *sisá dos bens de raiz* (root goods *sisá*) and the *meia sisá dos escravos ladinos* (ladino slaves half-*sisá*); paper stamp tax; *décima de heranças e legados* (inheritances and legacies tenth); industries and professions taxes; tobacco on ropes tax; on exported cotton; Court lighting; etc.⁵ In 1812, to finance the Crown entrance as Bank of Brazil shareholders, tributes were created on the carriages circulating in the Court, on commercial houses and vessels.⁶ Finally, in

³ Royal Charter of 28 January 1808, in Araújo (1836, t. I, p. 1).

⁴ Treaties of 19 February 1810, in Araújo (1836, t. I, pp. 240-251).

⁵ The *Sisá* was a type of tax levied on transactions between living individuals.

⁶ Charter of 20 October 1812, in Araújo (1836, t. II, p. 46).

1818, considering the need “to increase the state revenues that reduced by the customs duties”, several other taxes were established. The most significant ones were those on imported or exported foodstuffs, slaves’ trade, and other products.⁷

All these taxes had two characteristics in common: either they were essentially indirect, focusing on trade and circulation, or direct but regressive, which means that they were not considering the difference in values or incomes. The urban tenth should be charged at 10% of the urban dwellings’ net value, regardless of the location, characteristics, or its owner purchasing power. In the same way, the root goods *sisá* and the inheritances and legacies tenth should be charged. According to the kinship degree, the first relies on 10% on the properties’ transmission while the second would fall in the percentage of 10% up to 20% on the inherited goods. As for other taxes, such as those levied on commercial houses, carriages, ships, among others, the values were determined in fixed and invariable amounts, not considering the income of the commercial houses, the quality of the carriages, or the vessels’ commercial value.

In 1821, just a few days before the Court returned to Lisbon, another important step was taken to increase the predominance of indirect taxes. After consulting persons instructed in this matter, Dom João VI determined that the production tithes collection would be performed by a tax office system at the municipalities entrances and exits, “thus freeing growers from being disturbed and vexed in their dwellings”.⁸ This reformulation represented a crucial change in the most important tax collection on agricultural production. It was so considering the previously direct tax (levied on total production) became indirect, imposing exclusively on the portion destined for export (Danieli, 2006).

In this section, we summarized the taxation general path throughout the Johannine government. It can be understood as the effort to secure the necessary incomes for the Portuguese Court, while at the same time seeking to maintain the social order established in the colony –based on slavery and landowners’ political and economic predominance.

Data about Johannine government revenues and expenses are scarce; however, some indications are enlightening as to the effectiveness of the new rules introduced during this period. In 1808, the year when the Portuguese Court arrived in Brazil, only the Rio de Janeiro’s customs collected 785 056\$352 réis out of total revenue of 2 297 904\$099. These values were fundamental to balance the expenses that, in that same year, were 2 234 985\$204 réis. The following years were similar: in 1809, total revenue was 2 884 982\$183 réis, 810 981\$608 réis from customs, and expenses were 2 916 206\$687 réis. By the end of the period, revenues had reached 9 762 891\$116 réis, 1 719 762\$084 from customs alone, and expenses of 9 715 628\$699. The data in the table below had been compiled by Roberto Simonsen (2005) based on Adrien Balbi’s essay (1823). Despite being one of the few statistical sources, the values diverge from those pointed out by Luis Freycinat (1825), estimating a revenue higher than that one. It must be considered that such data may be slightly overestimated, informing more significant importance to Rio de Janeiro’s customs revenue than it was. Nevertheless, even if the data is overestimated, the tendency of revenue growth is unequivocal and deserves to be highlighted.

⁷ Charter of 25 April 1818, in Araújo (1836, t. II, p. 319). These determinations were expanded in 1820, including several other taxes without, however, changing the basis of incidence, see: Charter of 30 May 1820, in Araújo (1836, t. III, p. 8).

⁸ Decree of 16 April, 1821, in Araújo (1836, t. III, p. 176).

TABLE 1. REVENUES AND EXPENSES FROM RIO DE JANEIRO CAPTAINCY DURING THE JOHANNINE GOVERNMENT, 1808-1820

<i>Year</i>	<i>Revenue</i>	<i>Expense</i>	<i>Balance</i>	<i>Customs</i>	<i>Customs percentage</i>
1808	2 258 172\$499	2 234 985\$204	23 187\$295	785 056\$352	34.77
1809	2 884 982\$183	2 916 206\$687	31 224\$504	810 981\$608	28.11
1810	5 251 200\$524	5 254 291\$164	3 090\$640	927 150\$288	17.66
1811	3 691 884\$485	3 689 416\$406	2 468\$079	852 690\$571	23.10
1812	3 237 541\$397	3 240 295\$820	2 754\$423	738 384\$786	22.81
1813	4 891 884\$932	4 899 782\$139	7 897\$207	845 502\$690	17.28
1814	4 367 316\$580	4 354 157\$650	13 158\$930	815 908\$849	18.68
1815	4 897 343\$597	4 909 282\$441	11 938\$844	843 636\$179	17.23
1816	5 949 760\$503	5 923 823\$069	25 928\$434	1 067 340\$581	17.94
1817	7 140 109\$873	7 169 944\$406	29 834\$533	1 094 809\$251	15.33
1818	7 949 415\$607	7 923 798\$561	25 617\$046	1 549 123\$250	19.49
1819	8 673 109\$122	8 660 978\$179	12 130\$943	1 976 528\$046	22.79
1820	9 762 891\$116	9 715 628\$699	47 262\$417	1 719 762\$084	17.62

Source: Simonsen (2005, pp. 541-542).

The innovations implemented, especially the introduction of new taxes on property and its transition, services, and commerce, marked a new reality in depth in the following decades. The Johannine period was certainly responsible for presenting and introducing the bases of financial institutions that, in a new context and meaning, would set the tone of Brazil's tax development from 1822.

TRADITION AND TAX INNOVATION IN THE INDEPENDENCE OF BRAZIL

Since the transfer of the Portuguese Empire's capital to Brazil, the relationship between the European and American parts of the monarchy was not in the best conditions. The transfer justification –the imperious necessity to preserve the Empire– gradually lost its meaning, mainly after the Napoleonic Wars ended in 1814 and the elevation of Brazil to the United Kingdom to Portugal and Algarve in 1815. The predominant feelings in Portugal were abandonment and inadequacy since the Portuguese army and part of the government were in General Beresford's hands. This situation was aggravated by the government's constant attempts to limit the Portuguese Regency powers, making the relationship between the Empire parts conflicting and the Kingdom of Portugal's governance highly unstable and subject to insurrections, as indeed almost occurred in 1817.

That same year, the Pernambuco Revolution broke out in the Brazilian northeast, marked mostly by a strong objection to the tax pressure exerted by the Court in Rio de Janeiro and by the region's loss of prestige (Mello, 2014). The revolutionary situation the Portuguese Empire passed through combined with the liberal State concept diffusion. In addition, it set the stage for the unfolding of the 1820 Porto Liberal Revolution. Predominantly military, the Revolution would soon assume constitutionalism as an institutional organisation because of the Crown's absence of limited options in Portugal. Installed in Lisbon, the constituent Cortes decided on a series of subjects but had as a main task the elaboration of a Constitution that would rule the entire Empire.

Under pressure from the constituent assembly (*Cortes Constituintes*), Dom João VI, after swearing to accept the Constitution that had been promulgated, set out for Portugal on 24 April 1821, leaving his son, Pedro, as Brazil's prince regent. Throughout his regency period, Pedro faced various political frictions because of Lisbon Courts' decisions. This situation would reach its peak between the end of 1821 and the beginning of 1822, when, after a series of decrees, it was decided, *inter alia*, the creation of provisional *juntas* in the provinces and the prince regent return to Lisbon. From this, it became clear to the coevals that the interests between Portuguese and Brazilians could hardly be reconciled and political separation became inevitable. Therefore, on 9 January 1822, Pedro, contrary to the demands of the Cortes, decided to remain in Brazil. That year, he convened its own Constituent Assembly for Brazil and, finally, on September 7th, at the banks of the Ipiranga River, it ordered the definitive separation of Portugal. Brazil was finally independent.

Even with varied interpretations, the process of independence must be understood as a historical time inflection moment, in which innovation and tradition converged. If Independence, in part, meant changes and resignifications in various political and economic aspects, a social order, devout in much of slavery, was maintained (Pimenta, 2009).

Questions regarding the taxation foundation should be understood in this same interpretive key. The Independence process brought the need to aggregate disparate interests around the constitutional monarchical option, so increasing the tax pressure could put obstacles to the territorial unit maintenance. The State dependence on the economically dominant groups and the constant deficits caused by armed conflicts prevented broader and more structural reforms in the taxation system. In this sense, even before the definitive declaration of Independence, debates about the nature by which it was supposed to be based on the fiscal system were already on the scene.

In 1822, before the Independence, Counsellor and future Finance minister Manuel Nogueira da Gama (1822a) presented some ideas on "means of getting the Public Treasury from embarrassment". He argued that the problem of increasing debt would only be solved by two methods: taxes or loans. As for the former, he argued that it would not be prudent to pay the extraordinary expenses with ordinary incomes, nor to burden the people with new taxes; on the contrary, the old ones should be alleviated.

According to his perspective, although all individuals must "be obliged, as interested parties, to contribute for these expenses for a fair distribution", an "Enlightened government" should not charge abusive fees. Nogueira da Gama believed that "the power to impose taxes has limits that cannot be surpassed without total public ruin". Thus, it should "seek to obtain by direct or indirect taxes a sum that does not exceed its ordinary expenses". Indirect taxes, "which are held to be less oppressive, more equal in their distribution, and softer in their perception", or direct taxes, would not alleviate the problematic situation in which finances were found (Gama, 1822b).

This opinion did not change when he came to assume the Finance minister position in 1823. In the first report presented to the Legislative Assembly, Nogueira da Gama argued once more that it would not be possible to pay the national debt with new taxes. Besides, he added that instead of the new taxes, it would be better to contract loans abroad. Those loans were "offered by English capitalist" without being solicited, as a result of "the interest that the same foreigners take in the Brazilian Independence establishment", which integrated "the credit operations that I deem indispensable and of the greatest urgency".⁹ The loans were contracted in London between 1824 and 1825 for a nominal value of £3 686 200 and a real value of £2 999 040. Its negotiation and

⁹ Ministry of Finance, Brazil (1823).

future investment involved intense debates in the Chamber of Deputies and even in the public opinion, demonstrating the different opinions and options that were presented for the financing of the Brazilian State. Thus, external indebtedness was not the only existing option but rather chosen in order not to burden the ruling classes with new impositions, since they were precisely the ones that supported the newly independent Empire.

In a review of the empire's foreign indebtedness policy, Mircea Buescu (1982) found that opting for external financing seemed natural to a newly independent nation, given that the economic characteristics of the Empire remained the same as in the previous period: in the import and export trade. While, at the same time, to guarantee territorial unification, it would not be interesting to burden the ruler class and the provinces with a heavy tax. Thus, the option to finance externally, at least initially, is coherent and, to some extent, justifiable. Along the same lines, Marcelo Paiva Abreu (2006) argued that the approximation between the Brazilian and European economies ensured, to some extent, that Brazil duly honored its payments, being the only Latin American nation not to suspend the service of its external debt throughout the nineteenth century.

However, the problem with such an option was related to the political and economic burden. Interest paid externally tended to be often more onerous than internally. As pointed out by William Summerhill (2015), at high-interest rates, the risks of default were large, and the imperial government often avoided suspending the payment of external debt not only because the Deputies approved several contributions to service debt, but because the government systematically increased fiscal surpluses in response to the increase in external indebtedness. The externally contracted amounts, or even the constant payment of their interest, would be more interestingly applied if they were destined to invest in basic infrastructure and economic development, guaranteeing the capital return of productive activities. The gains with financial openness provided by English investments in Brazil, in agreement with the Fernando Costa and Simone Deos (2002) interpretation, were restricted and short since they met occasional and momentary demands, however, social losses were broad and long-lasting, the burden of debt repayment or even the absence of investments in Brazil.

In 1824, Gervasio Pires Ferreira,¹⁰ a member of the 1823 Constitutional Assembly and habitual commentator on the Empire's financial affairs, sent to the Emperor an exposition on the taxation problems and ways of increasing the Empire revenue. According to Gervasio, it would be counterproductive to establish new taxes at that fragile moment for Brazil "The reduction of public expenditure by a well-understood economy in its management" was recommended instead since it would tend "to reduce public needs and prevent new taxes". However, the imposition of new taxes should always be indirect, since "the right to consumption is the most consistent with the true principles of political economy".

In the 1826 Finance minister report, Marquis of Queluz reported that public revenue was in evident confusion. According to him at that moment, "everything is on the wrong side of what should be", in this sense, only "through a reform of the administration and direction of public rents", it would be possible to improve the Empire economic situation. It would be necessary to put an end to the root goods *sisal*, the tax on inheritances and legacies, among others, and

¹⁰ Gervasio Pires Ferreira was an important politician and merchant from Pernambuco, in the northeast of Brazil. He was one of 1817 Pernambuco Revolution main members and 1823 Constituent Assembly member. After the Independence, he was Congressman and a constant member of the Government of Pernambuco. He participated in most of the debates concerning the Empire financial affairs, always defending the merchant interests, which was the sector he represented and composed.

to introduce new taxes on the brandy, on imported, urban and “luxury” slaves, however, should always be indirect, since “on direct taxes, I would not be very supportive”, given the problems it could cause for the state.¹¹ To approve direct contribution would be to enter into conflict with those that gave support to the government. For the good of the Empire, this was a decision that would be preferable to avoid.

At the Parliament, the nature of taxation was not a specific point of debate. However, this topic has always been brought up during other subjects’ discussions. In 1828, during the debate about the Most Favoured Treaties and the import duties reduction, members constantly argued in favor of the principle of equality when it came to creating or changing taxes. This was the case of the Congressman and future Finance minister in the 1840s, Francisco de Paula Souza e Mello, from São Paulo, who criticized the Executive for the “ignorance with which they fixed the taxes, impositions against all the economy rules”. In his view, it was not ideal to tax basic goods in the same way that manufacture, and luxury goods were taxed. However, if it was so decided, national interests should guide the choice, and everyone should be subject to the same taxes.¹²

For Congressman Holanda Cavalcanti,¹³ the principle for general taxing was the same: everyone should be subject to the same taxes and those that fit more in this category were the taxes on consumption, in the specific discussion, those charged at customs. He also argued that the initiative on taxing should always come from the Lower House. In his words, it would be necessary “to show the Government that [it was the deputies] who can diminish the taxes, and [the Government should] refrain from similar innovations in the legislative power”.¹⁴

As in the House of Representatives, in the Senate, generally more aligned with the Emperor and the Executive, the subject of taxation has not been directly discussed, it has always been mentioned indirectly during other projects discussion. In the debate about import duties reduction, the Marquis of Santo Amaro¹⁵ argue that the general rule for the establishment of taxes should be the “principle of equality that should be maintained [...] in the establishment of rights”. For the Marquis, this principle of equality was the basis of good trade relations and prosperity in Brazil.¹⁶ Using the same argument, the Marquis of Maricá¹⁷ reminded that it was fundamental that the same law, about taxes, was valid for all, without distinction even between foreigners and nationals.¹⁸

Even though congressmen and senators did not advocate for indirect taxes in the debates, the discourse on equality in taxation was based precisely on the preference for this system. Indirect taxation ensures that all those who consume pay the same taxes, regardless of their wealth or

¹¹ The report of the Finance minister is attached in Ministry of Finance, Brazil (1827, pp. 5-7).

¹² Session 21 June 1828, in Chamber of Deputies, Brazil (1876, t. II, p. 172).

¹³ Antônio Francisco de Paula de Holanda Cavalcanti de Albuquerque was an influential politician and landowner during the Brazilian Empire, he was Finance minister in the 1830s and 1860s, member of the Emperor’s Council and minister of several other departments during the nineteenth century.

¹⁴ Session 17 July 1828, in Chamber of Deputies, Brazil (1876, t. III, pp. 136-138).

¹⁵ José Egidio Álvares de Almeida, Marquis of Santo Amaro was also a very influential politician. He was Foreign Affairs minister in the 1820s, member of the Emperor’s Council and in charge of drafting the 1824 Constitution and Senate President during the 1820s

¹⁶ Session 27 October 1827, in Senate, Brazil (1912, t. III, pp. 255-258).

¹⁷ Mariano José Pereira da Fonseca, Marquis of Maricá, was Finance minister between 1823 and 1825 and member of the Emperor’s Council.

¹⁸ Session 09 November 1827, in Senate, Brazil (1912, t. III, p. 329).

income. In this sense, proposing some kind of direct tax, theoretically, would be at odds with the principle of equality defended by parliamentarians, because while some citizens would be subject to tax others would not.

At this point, we must distinguish between two concepts present in the discussion: equality and equity. The Congressman's defense was based on an equality concept, in which everyone should be treated in the same way, and not on proposed equity, in which the ability to contribute is considered. After all, the latter concept was not part of the political vocabulary of these men.

The resistance to direct taxes and the preference for indirect were present in distinct sectors of society. Even Gervásio Ferreira, who most often adopted a tone of criticism with the Imperial economic and tax policy, identified indirect taxes as the best choice for the state's tax base. In the Marquis of Queluz case, the option is more evident, since he based his preference on the problems that such taxes could cause to the public order. Also, he had seen the influence and the power of those that would be affected. This problem had already been raised by Maria Viana Lyra (1985) who considered that the "dominant owner class, not admitting the creation of taxes on property and income, planted a tax system based on taxation indirectly that, focusing mainly on consumer goods, relies heavily on the intermediate population layers". However, even within the imperial government, some identified direct taxes as an effective way of increasing public revenues.

Miguel Calmon Du Pin e Almeida, Finance Minister between 1827 and 1828, had different views on direct tax usefulness. He recalled that, with the Cisplatine War end, the State could invest in other needs of equal or greater importance, such as road construction and the postal services' establishment. It would not be easy to cover the deficit caused by the conflict "without resorting to new credit operations and new taxes" and, even with the unpopularity that such measures could cause to creditors and the population in general; the State accounts' situation needed the greatest and most urgent sacrifices. Only after this reform, it would be possible to conjecture new taxes, among that "a useful and necessary direct contribution", which would be established by the determination of territorial rate or even personal contribution, the latter being closer to the immediate reality.¹⁹

Unlike his predecessor, Miguel Calmon Du Pin e Almeida understood that the direct contribution was useful and advisable to reduce the Brazilian Government's constant deficits. In their exposition, directly mentioning the territorial and personal contribution, these taxes would be more advisable than indirect ones, since they would not affect the people and nation's wealth. The defense of the need to create direct taxes by a figure in the highest finance post indicates that, even in the high bureaucracy, the preference for tax policy composed mainly of indirect taxes was not the only one existing. The adoption of this policy was not by the lack of alternatives, but rather by the performance of those sectors that would be hampered by such contributions.

The matter of taxation in the Brazilian nineteenth century's first three decades can be understood in the "organic link between backwardness and modernity" identified by Florestan Fernandes (2005). Thus, the financial problems faced in the post-Independence, especially the armed conflicts until 1828, imposed the necessity of incorporating the provincial elites into the royal interests. This incorporation prevented the radical fiscal reforms, necessary for the desired centralisation, were implemented with celerity. This also meant that the option for indirect taxes was intended not to burden the richer sections of society, since, to approve taxes on property, income, production or otherwise, it would reach such layers.

¹⁹ Ministry of Finance, Brazil (1828, pp. 5-7, 99).

Certainly, it must be considered that indirect taxes were easier to collect than direct taxes. This argument may be valid for income or wealth, but it is unreasonable for taxes on land and property.

Throughout the 19th century, land ownership was something restricted to a few. In the debates during the 1823 Constituent Assembly and even after the Parliament reopening in 1826, the necessity to consider registering land ownership in Brazil was raised, the first step towards the establishment of a land tax.

In 1828, the Finance Minister had already informed that it was urgent to approve a tax on the rural property. However, this discussion was postponed for a considerable time. Land registration was only adopted in 1850, and a property tax was only approved in 1891.

Even if the approval of such tax would be limited and would bring only a few revenues to the State, it would be an important and initial turning point in the Brazilian taxation patterns. Following this step, other direct forms of taxation, which were discussed in the Parliament, could have a more prominent role in Brazilian society. Thus, the non-adoption of such taxes, contrary to a historical impossibility, was a position and imposition defended by the Brazilian economic elite, mostly represented in the political debate. Furthermore, transactions of these agents in commercial and banking houses were not exceptions and, once more, direct taxation was not an impossibility in the economic system present in Brazil (Ramos, 2021).

Only with the abdication of Emperor Dom Pedro I and the rise of the regency it was possible to carry out the first structural reforms in the tax system and to build a system/administration with a national character (Costa and Miranda, 2010). However, doing such reforms was only possible because of the change in the taxation meaning and purpose since Independence.

In the present section we observed that, during the reign of Don Pedro I, taxation has changed substantially. It began to be used to fund the State under construction ordinary expenses. This situation was confirmed in the 1824 Constitution, which, in its article 171, determined the maintenance and renovation of all taxes then collected in Brazil.²⁰ Thus, although the taxation meaning was changed, the collection method was maintained.

THE REGENCY REFORMS AND THE AFFIRMATION OF THE BRAZILIAN TAX INEQUALITY

The general lines of politics, especially those practices after the Parliament reopening in 1826, were substantially altered by the events of 7 April 1831. On that day, after pressure from various groups, Emperor Dom Pedro I abdicated the monarchy's maximum position in favor of his son, Pedro, who at that time was still underage. The April 7th, considered by Sérgio Buarque Holanda (1982) as the moment in which "the act of Independence truly gains a national seal", created the opportunity for a series of reforms. They were planned and aimed since the beginnings of Independence to be put into practice, altering the course of State construction in Brazil. From this period, reforms were approved in institutions, such as the National Treasury, the National Guard, the Criminal Procedure Code, the Customs and domestic collection, the money supply, and the banking system. However, the most significant episode of the period was the approval of the first constitutional reform in 1834 – the Additional Act. Among the measures approved by the Act, was the creation of Provincial Legislative Assemblies, which, among others, guaranteed the provinces' administrative decentralisation and autonomy to decide on the objects of their tax collection as well as their application (Dolhnikoff, 2007).

²⁰ Royal Charter of 25 March 1824 or Brazil Empire Political Constitution, in Araújo (1836, t. iv, pp. 226-236).

Faced by some historians as “the republican experience” in Brazil (Castro, 1985), the regency period was of unique importance in the sedimentation of the bases of the National State that would consolidate itself in the middle of the nineteenth century. Through the various reforms undertaken during the nine years, it was possible to endow Brazil with institutions and practices that are typical of a Modern State.

Amid these reforms, one of the first ones concerning financial matters was the extinction of the current Treasury, composed of the National Treasury, the Treasury Council, and the Provincial Finance Boards. The duties of the Finance Council would be passed on to the territorial judges and the prosecutors. In the cases of the National Treasury and the Boards, they were both refunded as National Treasury Court and Provincial Treasuries, respectively. The National Treasury would deal with the public assets’ administration, the accounts of all the departments that used to pay the nation’s money, as well as of its employees, proposing conditions and supervising the loans, the closing of contracts, and the legislation.²¹

In the following year, 1832, two other reforms were fundamental to the sedimentation of taxation in the Modern State mold. The first occurred with the general regulation for the customs of Brazil promulgation. It stated, *inter alia*, that this would be the responsibility of the National Treasury and that imported products could only enter those ports where there were customs, only after the rights were collected, the ships would be allowed to go to other ports²². In addition to the customs reform, in August of that same year, the first distinction between general and provincial revenues was approved. In this legislation, the relevant taxes were specified to the General Government and the provincial governments would be reserved “all existing taxes not included in the general revenue”.²³

Miriam Dolhnikoff (2010), analysing the distinction between general and provincial revenues, identified that the taxes transferred to the provinces were those already existing and that generally concerning domestic affairs, such as tithes, urban tenth, and local commerce. It made sense since the provincial governments had the capacity and practicality to collect those taxes. This, as explained by Wilma Peres Costa (2003), meant that, in practice, the revenues’ separation removed the possibility of taxing foreign trade from the provinces, reserving to the General Government control of import tariffs and a large part of export taxes. According to Carlos Eduardo França de Oliveira (2014), the new law initiated the sedimentation of tools for the appropriation of provincial resources by the Centre, as well as for the province’s participation in the Empire’s financial structure. Thus, the revenues’ separation provided the Imperial Government with “a privileged place in the direction of the imperial financial structure”. By concentrating the greater financial resources on the Court, “the pre-emption of Rio de Janeiro in the imperial political concert protected the National Treasury from provincial legislative measures that might collide with the government interests”.

Indeed, the revenues’ separation was based on previously created tributes and hindered much of the provincial revenues. However, it must be analysed in the broader process of tax modernisation and Empire tax structures. Not surprisingly, the revenues’ separation approval came immediately after major reforms, notably the implementation of some general institutions to collect domestic taxes in the provinces, the reform of the customs of 1832 and internal taxes, and

²¹ Law of 4 October 1831, in Chamber of Deputies, Brazil (1891, t. I, pp. 103-126).

²² Decree of 16 July 1832, It was executed in July, but made on 25 April, in Chamber of Deputies, Brazil (1891, t. II, p. 110).

²³ Law of 24 October 1832, in Chamber of Deputies, Brazil (1880, t. I, p. 131).

the National Treasury reform, which created the provincial treasuries. The composition adopted after the revenue's separation still brought the deepening of regional inequalities, since it made local investments dependent on its resources. Therefore, economies with more capital, such as Rio de Janeiro and São Paulo because of coffee plantations, could make investments easily. On the other hand, those with difficulties to accumulate wealth were penalized with the resource's scarce availability (Dolhnikoff, 2005). This situation contributed to the predominance of the southern region in the composition of Empire revenues and expenditures and disproportionately harmed the regions to the north (Villela, 2007).

As it was defined, the revenues' separation between the General and Provincial Governments, as well the autonomy to create new taxes by the provinces, as opposed to representing an unfinished and poorly formulated construction, was the result of a well-defined idea about the action spaces of both spheres of government. The resistance to admitting any kind of permanent definition of what should be the local or general taxes was based on the premise, defended by many parliamentarians, that the provinces should have the freedom to define what would be the objects of their taxation. Thus, depending on the necessity, new taxes could be transferred to the General Government or the Provincial Government.

At the same juncture in which the tax jurisdiction and the Centre forms of collection its parts were defined, the basic nature of Brazilian taxation was also confirmed. In the same discussion regarding the separation between the general and provincial revenues, the senator Marquis of Caravelas²⁴ argued that the provinces should have the autonomy to create new taxes, but these new taxes could not burden trade or be against national interests. For senator José Inácio Borges,²⁵ the provinces' autonomy to take care of their taxes was indispensable because this would guarantee that the local governments would have "the resources they needed without dependence on going to the capital of the Empire".²⁶

Senator Vergueiro,²⁷ for whom taxes on consumption should never be provincial, supported the same argument. In his words, "it is a tax on trade, which must be paid by consumers in all provinces". Thus, the taxes on consumption, which represented the majority of the collection, should be the responsibility of the General Government, which, in the view of the senator, was the representative with legitimacy to carry out this collection.²⁸

In 1834, after the Constitution reform, the deputy from Pernambuco Antônio Peregrino Maciel Monteiro considered that it would be useful to reconsider a large part of the taxes that were levied on domestic production, especially sugar, cotton, tea, and leathers. Likewise, the taxes levied on stores and warehouses should be reformulated, and instead, "all establishments of this order should pay a kind of interest, assessing the fund of these establishments and deducting a proportional amount".²⁹

²⁴ José Joaquim Carneiro de Campos, Marquis of Caravelas was Foreign Affairs minister, Justice, and prime minister on several occasions; member of the Emperor's Council, and regent of the Empire during the 1830s.

²⁵ José Inácio Borges was Finance minister between 1831 and 1882 and first minister in 1835.

²⁶ Session 05 July 1832, in Senate, Brazil (1912, t. II, pp. 39-53).

²⁷ Nicolau Pereira de Campos Vergueiro was a very important politician and landowner in the Brazilian Empire. Besides being deputy, senator, and São Paulo provincial president, he was first minister in 1832-1833, Finance minister in 1832 and Justice minister in 1847-1848. Member of the Emperor's Council, and regent of the Empire during the 1830s.

²⁸ Session 06 July 1832, in Senate, Brazil (1912, t. II, pp. 54-59).

²⁹ Session 22 August 1834, in Chamber of Deputies, Brazil (1876, t. II, p. 250).

Minas Gerais deputy Bernardo Pereira Vasconcelos, who had just occupied the Ministry of Finance, stood up fairly against the last argument put forward by the deputy from Pernambuco. In the view of Vasconcelos, although he did not consider himself “very passionate about Brazil’s impositions”, the tax system did not contain as many defects as Maciel Monteiro suggested. As about the proportional imposition, his words were that “greater evils could not be brought to Brazil than the establishment of this progressive or proportional imposition”, because “it was an imposition that would call revolutionary, vexatious, an imposition of the passions”. Proceeding with his argument, Vasconcelos argued that the consequence of establishing this type of taxation would lead to a decrease in revenues, because “dissent would be inevitable, reducing Brazil to the most deplorable situation”. He recalled the French case in 1829, when, according to the deputy, “the consumption taxes were destroyed, and the poor became more affluent, but as soon as they acquired property, it soon became necessary for them to return to the old system, and Napoleon re-established the order and the imposition old system”.³⁰

In the following year, the House of Representatives approved a budget amendment that transferred the collection of the tithes from the General Government to the provincial governments.³¹ The measure was not well accepted in the Senate, which, in reaction, approved that the duties on exports, belonging to the General Government, should be increased from 2% to 7%, with the five discounted from tithes paid in the provinces.³²

The House of Representatives rejected the new rule, but it was approved in the Senate. Thus, the General Assembly was called to discuss this and other changes. The discussion put deputies and senators on opposite sides. The former, mostly opposed to the amendment, argued that the tax was unfair and illegal. For Pernambuco congressman Luiz Francisco de Paula Cavalcanti de Albuquerque, the amendment was also unconstitutional, “because [he was] convinced that the Senate cannot propose taxes”. João José de Moura Magalhães, from Bahia, had the same opinion, according to whom “the Senate can have the right to reduce the tax, without having, however, the right to increase it (...), at last, the Senate cannot practice this act, because it is prohibited by the constitution”. Maciel Monteiro agreed with the two congressmen that, besides the facts remembered by his companions, the amendment was abusive, because he considered that “the goods that are exported should not be burdened with taxes, a principle adopted by all nations”.³³ At the end of the discussion, even with the opposition of the deputies, the Senate amendment was approved and included in the Government’s budget.³⁴

Bernardo Pereira Vasconcelos’s view of the progressive or proportional tax attributed to him the character of population agitator and finance dismantling. The rhetoric implemented in his speech, marked by the violence attributed to the progressive tax, aimed precisely to remove from the debate any initiative in this sense, since approving the introduction of a proportional tax on commercial houses would open space for other proposals in this sense, burdening the richest members of society. At the Parliament, the discourse of equal taxation and the resistance to approving other forms of taxation, such as that on export or property was still predominant. Thus, indirect taxes on consumption remained the focus of Brazilian tax policy, and direct implementation on income or property became less and less likely.

³⁰ Session 22 August 1834, in Chamber of Deputies, Brazil (1876, t. II, p. 252).

³¹ Session 25 August 1835, in Chamber of Deputies, Brazil (1876, t. II, p. 201).

³² Session 14 October 1835, in Senate, Brazil (1912, p. 512).

³³ Session 23 October 1835, in Chamber of Deputies, Brazil (1876, p. t. II, 399-400).

³⁴ Session 23 October 1835, in Chamber of Deputies, Brazil (1876, p. t. II, 400).

An antagonistic point of view as to the nature of taxation circulated at that time among the contemporaries, and had in the Portuguese and member of 1821 constituent Cortes, Jose Ferreira Borges (1831), one of its main exponents. In his study about the finance administration science principles, Ferreira Borges argued that a “contribution is only fair (...) when each provides a proportion of the expenditure in proportion to the fortune, which is protected and guaranteed by the government”. His objection fell particularly on the indirect contributions, that is, those on circulation and consumption. Borges called into question the “superiority commonly attributed to taxes on *expenses* over taxes on *income*, which is indirect taxes on direct taxes”. He said that “the great objection against these [indirect] taxes is their *inequality*” once “these taxes do not touch, do not weigh in proportion to the possessions, the leather, and therefore the taxpayer duty” (Borges, 1995).

Even though the direct taxation generally had greater difficulty in collecting, Borges said that if was possible to overcome the difficulties concerning the income tax, it “would be least subject to opposition, and objections; and if it was not the only one to establish, at least it should be the principal of all taxes” (Borges, 1995).

José Ferreira Borges and his proposals demonstrated that at that time of project effervescence and major changes in tax collection –both in Brazil and Portugal– the preference for a system based on indirect taxes was not the only one possible in most cases. Such statements should not be understood as trivial and, in addition to the implications at the time, the adoption of an indirect and regressive tax system was a deliberate choice of those men engaged in the State construction. The Brazilian tax system, marked by inequality, took on its formative features in those early years as an independent Nation and, according to the development of its history, would be at the heart of the great questions regarding the income distribution and economic equity in the country.

Still, in 1834, another major reform brought another crucial change to taxation. In October of that year, the Additional Act was approved. Among the reforms approved by the constitutional amendment, certainly, the one that was most related to tax matters was the creation of Provincial Legislative Assemblies and the capacity, by these, to create new taxes and decide on their application.

The Additional Act effects have been treated differently in historiography over the period. While some authors verified, in their approval, the advance of the liberal ideas that, at the end of the regency, were supplanted in favor of the monarchical centralisation, others tried to problematize its construction and effectiveness. Miriam Dolnikoff (2010) realized one of the first analyses that tried to emphasise the imperial policy reconfiguration by the Additional Act. For the author, the promulgation of the constitutional reform was responsible for the implementation of an institutional arrangement that guaranteed to the provincial elites the adequate mechanisms for the administration of their businesses, while at the same time guaranteeing participation in the Centre decisions. In this sense, the Additional Act was “the way to the success of the unity of the Portuguese American territory, combining monarchy with federative elements”, granting political and administrative autonomy to the provinces, which was maintained throughout the period and guaranteed unity and the adhesion of these elites to the Empire.

The discussion about the 1834’s Additional Act approval and the Provincial Legislative Assemblies’ creation is significant, as it highlights the complex framework of institutional and political changes that were at stake during the regency period. The act consolidated a trend that had already been proposed from the first moments after 7 April 1831 and caused tension throughout the Pedro I reign. However, the ability to create new taxes and to decide on the application of their

product, as well as the administrative decentralisation provided by the Constitutional reform, are aspects that have profoundly altered imperial tax policy, apart from the revenues' distinction. At the same time, as the 1834 Additional Act gave form to the provincial tax authority, it was also responsible for delimiting the Centre's space, guaranteeing it the ordinary revenue main sources.

During the regency period, unlike in the Pedro, I reign, several taxes were established to finance the state's ordinary expenses. From 1831, the year of the first Emperor's abdication, taxes were created levying on domestic exports and production. At the same time, tax innovation sought to rely mainly on consumption and commerce. Among the taxes created, in addition to the reformulation of others previously existing, some deserve to be highlighted by both the amounts collected and by its nature. In 1831 all taxes on the brandy were eliminated, in its place was established a general tax of 20% for consumption and 2% for export of that product –in Bahia the consumption rate was 60% justified by the currency of copper recollection. In that same year, annual rates of 80 000 and 40 000 réis\$ were established on auction and fashion houses respectively. In 1835, the tributes created generally concerned ship, post, and the slave trade. Finally, in 1836, the new taxes also applied to vessels –domestic or foreign–, re-exportation, and commercial houses.³⁵

As those implemented throughout the Johannine government, the tributes created during the regency period were either essentially indirect, or direct, but regressive. Those that could be considered direct, such as those on commercial, auction, and fashion houses, were taxed in a fixed amount, regardless of the value marketed or even the stores' size. Other fees, such as those that tax on domestic and foreign vessels, should be charged as a fixed percentage, generally ranging from 2% up to 10%. In this sense, what was verified is that even breaking with the First Reign non-taxation logic, the tributes created throughout the regency, in short, did not alter the fiscal nature implemented since the earliest days of State formation in Brazil. In other words, the taxation incidence basis falls, in particular, on indirect taxes and, in the few cases of direct taxes, always regressive.

Under the regency period, more precisely in 1836, a second custom general regulation was published throughout the Empire. Extending the determinations of the previous one and applying it to the whole territory, the new regulation would consolidate the customs as the General Government collection space and the taxes on import and export products as its main revenue.³⁶ This situation becomes more feasible when analysing the volume attributed to customs' taxes in the General Government revenue. Throughout the first years after Independence, taxes collected at customs, including import, export, and shipping, reached more than 70% of total revenue, while the average until the 1830s was about 52.23%. In the regency's first years, they were in the levels of 30% up to 50% and after 1836, they reached their highest level, closing the decade with the sum of more than 77% of the General Government collection. The data used in this analysis, presented in the table below, were compiled by the Ministry of Agriculture after the Brazilian Empire ended. Its main source is the annual balance sheets published by the National Treasury. Data in most part, especially until 1828-29, refer to the revenues collected in Rio de Janeiro and also the surpluses sent from the provinces to the capital. Sometimes these values were overestimated to indicate a

³⁵ Law of 15 December 1831, in Araújo (1836, t. vii, p. 551); Law of 24 October 1832, in Chamber of Deputies, Brazil (1891, p. 131); Law of 8 October 1833, in Chamber of Deputies, Brazil (1891, p. 66); Law of 31 October 1835, in Chamber of Deputies, Brazil (1891, p. 102); Law of 22 October 1836, in Chamber of Deputies, Brazil (1891, p. 43).

³⁶ The new customs regulation was published in Decree of 22 June 1836, in Chamber of Deputies, Brazil (1891, p. 100).

TABLE 2. CUSTOMS COLLECTION PERCENTAGE IN THE IMPERIAL GOVERNMENT REVENUE COMPOSITION, BETWEEN 1821 AND 1840

<i>Year</i>	<i>Imports</i>	<i>Exports</i>	<i>Shipping offices</i>	<i>Total</i>
1821	34.78	2.98	-	37.77
1822	32.29	11.14	-	43.43
1823	48.01	12.62	0.33	60.96
1824	39.32	8.94	0.31	48.56
1825	49.80	12.09	0.38	62.28
1826	54.64	13.66	0.52	68.83
1827	35.30	12.91	0.31	48.52
1828 (1° S)	28.06	4.60	0.20	32.85
1828-1829	66.15	5.73	0.63	72.52
1829-1830	38.40	7.98	0.25	46.63
1830-1831	28.32	9.14	0.26	37.72
1831-1832	29.57	5.98	0.39	35.94
1832-1833	35.56	4.64	0.79	40.99
1833-1834	49.32	5.95	1.98	57.25
1834-1835	42.93	4.83	1.61	49.37
1835-1836	50.85	6.17	1.80	58.82
1836-1837	53.18	15.22	2.31	70.71
1837-1838	52.83	17.36	3.29	73.47
1838-1839	57.87	16.71	3.39	77.97
1839-1840	57.93	16.31	3.04	77.28

Source: Ministry of Agriculture, Industry, and Commerce (1914, pp. 14-15).

more comfortable financial situation or even present divergences from other official sources of the period. However, what draws our attention to this data is the fact that the Central Government gradually concentrated its revenue on the taxes collected at customs, especially on consumer goods imports and exports.

The customs regulation, both in 1832 and 1836, was vital to ensure the collection and delimitation of the General Government's field of activity, boosting and increasing its revenues, and at the same time gave the provinces greater autonomy and clarity regarding the object of its tax jurisdiction. When defining which taxes belonged to the General Government, the form, and where they should be collected, the fiscal practice of the First Reign, largely due to the decisions taken in Rio de Janeiro, would be overcome. In this way, tax bases along the lines of the liberal State demanded a clear distinction between the areas of taxation: general incomes were confined to customs, and their taxes were collected mainly on import and export trade. Concerning provinces, the taxation should be carried out on the domestic affairs and had in the administrations controlled by the Provincial Government the ideal model for their collection (Ramos, 2019).

This new tax configuration set the tone for much of the advances and problems that occurred in the following decades. With its main tax office reformed under the Modern State model, it was possible, after prescribing the tariff privileges, to establish new general guidelines for import taxes. Thus, the Alves Branco tariff, promulgated in 1844, was responsible for introducing tariff levels similar to those practices in other nations, generally with a 30% rate (Villela, 2005).

In Wilma Peres Costa's (2000) interpretation, this tax system nationalization, provided by the 1844 tariff, would be in close harmony with the interests of the slave-exporting agricultural sectors. Ratifying this argument, Miriam Dolhnikoff (2010) found that the enactment of the new general customs' tariff, despite guaranteeing greater revenues to the state, did not bring changes about domestic taxation, leaving aside the provincial taxation and, consequently, not burdening the great owners through taxes imposed on large rural properties, income or exported production. In synthesis, and agreement with the argument elaborated by Marcelo Paiva Abreu and Luís Corrêa Lago (2001), the regimentation of taxation based on indirect taxes, especially on import taxes, consumption and goods circulation, and the postponement in the introduction of direct taxes –on income or property– was a national policy. A direct consequence of the landowners' influence and political power.³⁷ This would be the structural inequality of the Brazilian tax burden, supported, for the most part, by the urban and poorest population.

CONCLUSIONS

From the first initiatives that began with the Portuguese Court transfer to the 1830s liberal reforms, there were several changes in taxation and the Brazilian economy. At the same juncture in which the patterns of the typical State modern tax collection were defined, taxation in Brazil assumed its basic social characteristics, these being regressivity and indirect taxation. This system of taxing, based mainly on taxes on consumption and circulation, allowed that most taxes fall upon the poorest while exempting income, property, and production, allowing the richer classes to enjoy various tax privileges. Taxation in Brazil, which since the beginning of the century had been moving toward a greater indirect taxes' predominance, solidified in its basic inequality in that liberal decade, keeping with the other social inequalities and exclusions that characterized Brazilian imperial society. The option for a system based on indirect or regressive direct taxes was not the only one existing at the time; it was a choice and served the interests of the ruling elite, which was frequently linked to agricultural-slave interests.

The taxes on income and property were not soon accepted as something necessary for the Brazilian State maintenance. As for the property tax, even if its introduction had been raised several times by the finance ministers or in Parliament, and the face of great resistance throughout the monarchy, it was not until 1891 –in the republican period– that a territorial tax at a rate of 5% was established. In the case of income tax, the logic was similar: throughout the Empire, it was argued that this was a common practice in the more advanced nations, in addition to being of great utility to the state finances. Constant projects have been presented for tax income, especially

³⁷ "It was thus as a direct consequence of the political power of landowners that taxation relied mostly on duties on foreign trade. That the increased production costs of coffee due to high protection as well as export taxes could be shifted to coffee consumers probably delayed the introduction of significant internal taxation such as excise and income taxes."

in the Second Reign. However, once again, in the face of the economically dominant sectors' strong resistance, its implementation was not successful. It was only in 1922 that a tax levied on individuals' incomes was approved.

The long path taken to the implementation of direct taxes that focused on the rich is related to the maintenance of tax policy that privileged certain sectors to the detriment of others. Even after the implementation of these direct taxes, such inequality would persist as a fundamental mark of Brazil's tax system –especially because the economically dominant sectors would migrate to other more dynamic, exempt, or untaxed economic activities– and continue to affect mostly the poorest even today, creating structural inequalities of slow or almost no change.

Thus, the nineteenth century's first decades, marked by the configuration of the Brazil political-institutional and economic bases, brought the fundamental characteristics of the state and the Nation under construction. From the economic point of view, specifically concerning taxation, the State would rely on the Centre affirmation and province definition. It would be possible for the General Government to collect a large part of tax revenues and to implement a fiscal policy that would not burden the rich and economic sectors linked to agricultural production for export. On the other hand, the Nation, also from the economic point of view, would affirm itself in the intimate relationship between slavery, as a basic form of distinction and social organization, and inequality, especially in indirect and regressive taxation, which disproportionately burdened the poorer society part.

As we have tried to point out, the history of Brazilian independence during the first years indicated the main characteristics of its tax system. Despite the absence of robust data, which could be used to draw a more complete picture, the initial data indicates a strong preference for indirect taxation. Thus, regressive and indirect taxation would compose the picture of great inequality that characterized Imperial society in Brazil.

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