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DEVELOPMENT FINANCE AND MACRO-ECONOMIC BALANCES:  
THE FISCAL CRISIS OF THE DOMINICAN STATE  
(1970 - 87)

A Research Paper presented by

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A research paper submitted in partial fulfilment of the requirements for obtaining the Degree of Master of Arts in Development Studies of the Institute of Social Studies.

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## INTRODUCTION.

During the period 1966-77, the Dominican Republic achieved remarkable progress in terms of institutional stability and a favourable climate for private domestic and foreign investment. This was reflected in one of the highest rate of growth in the world, when GDP expanded at an annual real rate of 11% in the period 1968-74. As a result per capita national income, more than doubled in this period.<sup>1</sup>

After the mid-seventies, the D.R. has experienced a sharp deterioration of its growth performance and its external position. By 1985 it had an external debt/GDP ratio of 64%, which is above the average of 62% for the Latin America and Caribbean region as a whole.<sup>2</sup> The D.R.'s debt crisis that emerged in the 1980s, like other indebted developing countries was in part caused by adverse external conditions; in part, however, it was the result of domestic policy choices. Among the latter, large fiscal imbalances are arguably the most important.<sup>3</sup>

The aim of this paper is to examine the role played by the Dominican fiscal sector in the industrialization process and in the adjustment to external macroeconomic shocks.

One of the objectives of this paper is to analyse the imbalances in the external, private, and fiscal sectors of the economy in order to identify the multiple factors, that in our view are the responsible for the fiscal crisis of the 80s.

The paper contains five parts and an statistical appendix. The first part is a review of the economic literature on the financing of economic development, which will lay the basis for the analysis of the our case study. The second part is a historical overview of the development process in the Dominican Republic and tries to show how the different conjunctures both at the internal and external level have come about to drive the development process of the country. The third part is the construction of a consistent data framework in which to base our case study. This part will provide our

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<sup>1</sup> World Bank (1978) "Dominican Republic: It's Main Economic Development Problems".

<sup>2</sup> See Statistical Appendix, Table 1.

<sup>3</sup> See Cuddington, J. and Asilis, C. (1990) Journal of Latin American Studies. Vol.22, No.2.

## 1) FINANCING ECONOMIC DEVELOPMENT: A THEORETICAL FRAMEWORK.

In order to carry-out the complex tasks of socioeconomic development, developing countries need to have access to certain level of resources to achieve certain level of accumulation. The economic performance of developing countries is usually determined by the performance of few sectors in which the countries have a comparative advantage related to geographical and natural endowments factors. In this sense, a successful domestic accumulation process, given an unstable world economy, should be based in a transformation of the economic structure as a whole and increased labour productivity in the leading sectors of the economy. Increased accumulation and rapid economic development can be achieved by a continuous expansion of production and rapid growth of national product.

Development finance is channelized towards development targets through the use of fiscal policy. In one or other way fiscal policy is understood as measures to increase the general welfare through the public control of resources by means of public spending, resource mobilization and so on<sup>4</sup>. More explicitly, fiscal policy is concerned with the receipts and expenditures of the central government, with the relation between these two flows, and with the economic effects of these receipts and expenditures, for all the functions in which governments engage<sup>5</sup>.

The fiscal capacity of a country can be assessed both at the macro and micro levels. The macro approach looks at the determinants of taxation capacity by means of macro indicators, such as national product, foreign trade, etc., whereas the micro approach takes into account potential tax bases derived from personal income, business income, property, general sales, excise and foreign trade taxes. Nevertheless, developing countries differ from one another in their development finance structures. These differences are usually the result of the particular socio-political and institutional settings prevalent in each country. There are many alternative techniques of mobilizing resources as well as different sources of finance, in order to allocate them towards investment. However, two broad categories of finance can be identified, namely internal and external finance.

Development finance provides real resources to increase the production

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<sup>4</sup> See Wolfson, D. (1979) "Public Finance and Development Strategy".

<sup>5</sup> See Hope, K. (1987) "Development Finance and the Development Process".

involuntary reduction in consumption. Moreover, consumption may be reduced by the process of inflation, and this is regarded as "forced savings"<sup>9</sup>.

The level of voluntary savings and the ratio of voluntary savings to national income, will depend on a variety of economic and non-economic factors. Thirlwall<sup>10</sup> has argued that economic factors largely determine the ability to save, but the willingness to save may depend on non-economic factors as well. The main determinants of the ability to save will be the average level of per capita disposable income, the distribution of per capita disposable income and the size of the capitalist surplus<sup>11</sup>. The willingness to save, in turn, will depend on such monetary factors as the existence of acceptable and reliable institutions in which to deposit savings; the interest rate in relation to risk and time preference; and, in addition, societal attitudes towards the accumulation of capital<sup>12</sup>.

Most of the developing world still has to supplement domestic savings with finance from abroad. The inflow of foreign resources eases the savings constraint and the foreign exchange constraint. As long as the developing country is spending more on investment and government expenditures than it is earning from the domestic resources released through private savings and taxation, there will be a domestic resource gap that will spill over into the balance of payments, with imports greater than exports. This follows from national income analysis, in which the uses of national income must equal the disposal of national income. The internal imbalance in the resource gap is translated into the external imbalance in the foreign exchange gap.

The resource gap is filled by imports being greater than exports in the balance of trade, so that foreign resources are filling the domestic resource gap and are allowing the excess of investment and government expenditures to be validated in real terms. The foreign exchange gap, however must be filled by a capital inflow from overseas, through official development assistance, commercial bank loans, or private foreign investment. External debt accumulates when the foreign loans are used to finance an excess of imports over exports plus interest payments on existing debt. The working out of the

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<sup>9</sup> See Thirlwall, A.P. (1972) "Growth and Development".

<sup>10</sup> Ibidem.

<sup>11</sup> See Thirlwall (1972).

<sup>12</sup> Ibidem.

the country's balance of payments position; and has this improvement been used to remove the bottlenecks in the supply of capital goods, necessities, luxuries or intermediate goods?; b) Were the additional financial resources instrumental in raising the rate of growth by increasing investment over the level of domestic savings or releasing local savings for consumption of necessities, of luxuries or materialise in a higher volume of social services? In other words, aid may be considered appropriately utilised if it adds, *ceteris paribus*, to investment other than those increasing the output of luxuries; or it adds, *ceteris paribus*, to the consumption of "essentials" and/or the output of social services.

Another question that arises regarding the flow of aid to developing countries, is the "absorptive capacity" of the country in question. In other words, how much aid can a country take? In theory, any amount of economic aid can be absorbed, as an inflow of foreign capital will always increase the volume of aggregate domestic expenditure and, if properly used, will result in a higher rate of growth of national income. But, the higher this rate, the higher the share of imports in the increment of the national income, because of the lack of free productive capacities, including the skilled labour force. In other words, the effectiveness of the foreign aid measured by the marginal ratio of the increment of national income to the additional imports will tend to 0, while the ratio of the increment of the aggregate expenditure to the additional imports will tend to 1<sup>17</sup>. But before this limit is reached, two other factors will set the ceiling to the absorptive capacity of the country. Kalecki argues that in the one hand, there will be a problem of financial capacity to service the debt if the country decides in taking credits for some years. On the other hand, the absorptive capacity will depend to a great extent on the country's availability of skilled manpower of different grades and types.

In analysing the impact of foreign aid to the development process of a country, obviously, one has to take into account the type or the form of aid. As we mention earlier, foreign aid can be broadly divided in the form of grants, credits, and foreign direct investment. Grants should be considered as the most desirable type of foreign assistance, since they represent a net addition to the resources available for development purposes and, being free gifts do not have to be repaid. In the same way, concessional loan when

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<sup>17</sup> Ibidem.



partly abroad. We are thus in the presence of an endless snowballing process, as contrasted with a loan which creates obligations for a definite number of years. It may be easily shown that in the long run the impact of continuous foreign direct investment on the balance of payments of the recipient country must be negative, unless the inflow of foreign investment grows substantially from year to year<sup>21</sup>. For similar reasons, Eshag (1983) argues that if we measure the cost of foreign capital in terms of profits remitted on direct investment and of interest paid on loans, will generally be higher for direct investment.

On the benefit side, Thirlwall (1972) argues that the demand for labour will increase; tax revenue will rise; external economies may be generated; and the foreign investment may set up backward and forward linkages and act as a stimulus to domestic investment. Furthermore, direct investment from abroad is often accompanied by advanced technology and technical expertise. The potential is there for a profound impact on indigenous industry, on attitudes, and the state of competition. As long as the total increase in productivity is not appropriated by the investors and remitted abroad, the less developed country will gain from private foreign investment.

## 2. Taxation.

Taxation is one of the main mechanisms by which government can raise their level of revenues. It is argue that taxation is a mechanism to achieve efficient resource allocation, full employment with price stability, a satisfactory distribution of income, and a highly stable rate of economic growth. In order to evaluate taxes and the way in which the previous goals can be achieved, some criteria have to be taken into account, namely allocational efficiency, equity, administrative feasibility, and revenue productivity. The fist criterion, allocational efficiency, is concerned with the economic effects of taxation on the pattern of resource allocation. Equity refers to different taxes and how each tax redistributes income and wealth among the citizenry in order to reduce income inequalities. Administrative feasibility refers to the problem of how efficiently can a particular tax be administered. And finally, revenue productivity means the ability of a tax to maximize government revenues. Although there is much consensus in these criteria in order to evaluate taxes, there is not agreement on what an ideal tax system

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<sup>21</sup> See Kalecki, M. (1976).

countries are faced with few hard facts of life: "a poorly conceived tax structure; poorly drafted tax laws that are neither responsive to the domestic sociocultural environment nor sufficiently able to counteract the tricks of large foreign corporations; a partly illiterate population that requires intensive canvassing; poorly developed networks of roads and telecommunications, which hamper assessment and inspection by a field staff. Add to this that tax administrators in LDCs compared with the DCs, are poorly educated, poorly paid, and lack a long-standing tradition of esprit de corps. At the sociocultural level the existence of sharp differences in the distribution of income often accompany a feeling among privileged classes that they are above the law and can ignore taxed people. Also variations in tax effort might be explained to a great extent by differences in the political philosophy and the willingness to tax on the part of the governments concerned. Economic constraints are regarded as problems of excess burden and horizontal equity, which have serious distributional consequences given large income disparities in LDCs".

It is agreed in the economic literature that no universal tax policy can be prescribed to suit all countries<sup>25</sup>. Nevertheless, it is essential when setting up a taxation system for any country to take into account its economic, social and political characteristics, particularly relevant are the structures of production and trade and the quality of the administrative machinery<sup>26</sup>.

Moreover, Eshag argues that some essential characteristics of a taxation system should be taken into account when considering a taxation strategy: a) Equity: measures designed to restrict the growth of private consumption should be directed, in the first instance, at the consumption of the higher income groups. The degree of these reductions in consumption should depend on the level of per capita income. In other words an implementation of a progressive system of direct taxation from which the large sectors of the population whose income is below subsistence level is exempted. When increasing indirect taxes for revenue purposes, these should be levied more heavily on luxuries than on necessities; b) Incentives to production: material incentives appear to be necessary to stimulate effort on the part of individual producers. However, this does not imply that production effort is in every case positively

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<sup>25</sup> See Thirlwall, A.P. (1972); Hope, K. (1987); and Eshag, E. (1983).

<sup>26</sup> See Thirlwall, A. (1972).

consumption<sup>27</sup>.

Whether the domestic financing of public deficits is inflationary or not depends in the short-term on who takes over the respective claims. If it is the Central Bank or the Consolidated Banking System, then there is an immediate and direct connection between deficit financing and the expansion of the monetary base or money supply. On the other hand, deficit finance via non-banks is not linked to monetary expansion, or at least not directly. For that reason the non-inflationary financing of public debt is generally identified with the sale of public bonds to the private sector<sup>28</sup>.

The need for growth of a developing economy will require more money to facilitate its transactions and to serve as a liquid asset. The counterpart of the increase money stock may include lending to the government by the Central Bank and the commercial banks. If the increase in the money stock - and the counterpart in the form of loans and investments of the banking system- does not exceed the quantity that enterprises and households desire to hold at stable prices, money creation to finance the government deficit will not be inflationary<sup>29</sup>. Furthermore, Goode argues that how much the banking system can lend to the government and other borrowers without causing inflation depends on how much money people are willing to hold at stable prices. When financing of government expenditure by money creation exceeds the non-inflationary limit, total spending in the country becomes greater than production valued at stable prices. Prices rise and the balance of payments tends to go into deficit. The non-inflationary limit of money creation is not rigidly fixed, and there may be some delay in reactions. Especially if prices have been stable in the recent past, people may temporarily add to their money holdings, and money transactions may take place at the old prices for a time. Nevertheless, the experience of inflation in countries during the past decade, has made people sensitive to rising prices and has shortened the lags in adjustments<sup>30</sup>.

Tanzi and Blejer (1984) point out that when foreign borrowing is

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<sup>27</sup> See Thirlwall, A. (1972).

<sup>28</sup> See Reisen, H. and van Traostsenburg, A. (1988) "Developing Country Debt: The Budgetary and Transfer Problem".

<sup>29</sup> See Goode, R. (1984) "Government Finance in Developing Countries".

<sup>30</sup> Ibidem.

imports in order to free foreign exchange for debt payments<sup>34</sup>.

Policy responses for external shocks are necessary, in the one hand, because an unfavourable shift in the world economic environment produces a balance of payments problem, and in the other hand, because these external shocks also have repercussions on the domestic economy. In this sense governments are faced with three choices. Firstly, governments must decide whether external shocks should be met by financing or by adjustment. Secondly, they must decide if adjustment should be concentrate on expenditure reduction or expenditure switching -that is, on cutting public and private demand or on trying to shift that demand, and the demand of foreigners as well, from foreign-produced goods to domestically-produced goods. Finally, expenditure switching can be attempted either through devaluation or through commercial policies<sup>35</sup>. Since we have already dealt with the subject of financing and its implications according to the different sources of finance in the previous sections, we will concentrate on adjustment policies.

In adjusting to external shocks, a country should aim to improve the trade balance. In the one hand, this may be done by policies such as tax increases, cuts in government spending, and restrictions on the credit of the banking system. These policies reduce spending in the domestic economy, which lowers the demand for imports and, by releasing resources from industries serving the domestic market, may in an indirect way lead to increased exports. In the other hand, policies such as export subsidies, import controls, and devaluation may be used to encourage both indigenous and foreign residents to switch their spending from foreign to domestic goods, thus raising exports and cutting imports. All of this policies can have adverse effects. Expenditure-reducing policies, by reducing the demand for domestic goods as well as imports, typically lead to unemployment and excess capacity. The immediate economic and social costs can be large; furthermore, much of the burden often falls on investment, which reduces the economy's future growth prospects. Expenditure-switching policies have been regarded as inflationary and can easily offset any improvements in the trade balance<sup>36</sup>.

During the decade of the 1980s, most of the developing countries have

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<sup>34</sup> See FitzGerald, E.V.K., Jansen, K., and Vos, R. (1988).

<sup>35</sup> See Krugman, P. (1988).

<sup>36</sup> Ibidem.

attainment of such a desirable state of affairs is attributed to policy failures on the part of governments. However, critics of this approach, although agree with the desirability of the outcome, argue that standard adjustment packages do not achieve this in theory or in practice (e.g. Taylor, 1988; Cornia, Jolly and Stewart, 1987; Dell, 1987). It is suggested that forced adjustment has in fact taken an undesirable form which involves reduced imports and lower economic activity, drastic cuts in government social expenditure, and lower rates of private investment combined with forced savings adjustment through reduced consumption on the part of the labour force. Moreover, these measures do little to improve debt servicing capacity, and exacerbate poverty and reduce long-term growth capacity by lowering accumulation rates<sup>38</sup>.

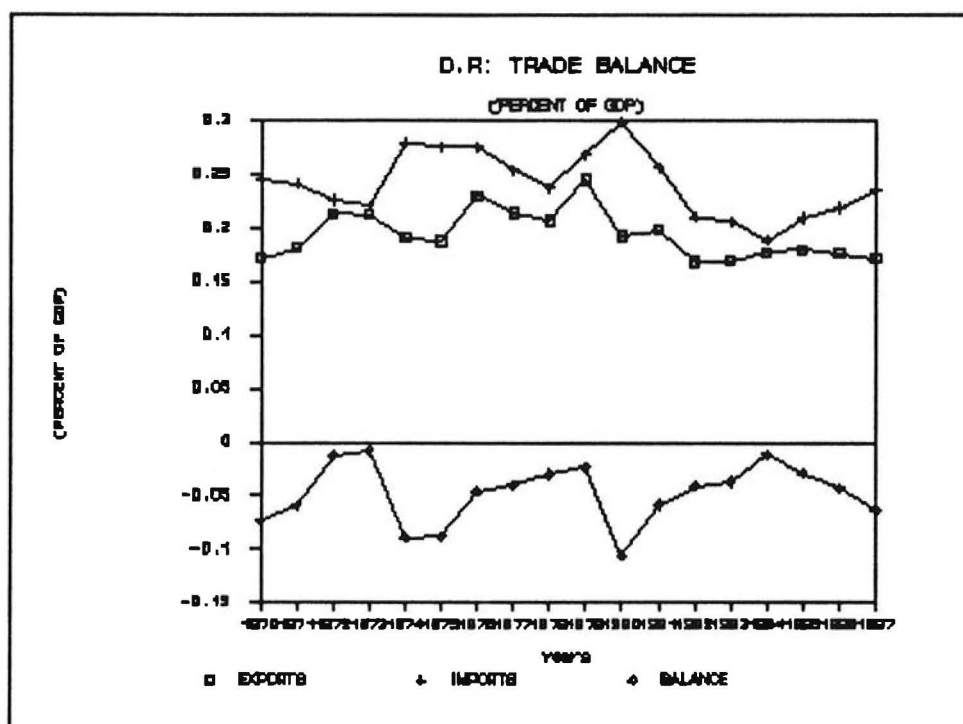
In this section we have looked at the role of finance in the process of accumulation and the major sources of development finance in developing countries. We feel that the literature on this topic deals with the subject at an aggregated level and in a static perspective. No mention is made about the dynamics between public and private sectors, with the exception of fiscal studies. Merely a definition of the different sources of finance is given, but the different patterns of responses that the private sector adopts as a result of government policies is not made clear. That is, the process of adjustment of different economic agents in the economy under conditions of macroeconomic disequilibria at both the internal and external levels.

In the next section we will look at how the government in the case of Dominican Republic has engaged in different development strategies, which involved high levels of investment and therefore higher levels of finance and how the private sector adjusted to the concomitant policies. The analysis of the accumulation balance is taken as a departure point to understand properly the dynamics among the public and private sectors under different external conjunctures, which will underpin the nature of the process of adjustment which relates to the partial absorption of the state sector of external shocks and the concomitant responses by the non-state sector.

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<sup>38</sup> For further development of World Bank and IMF contentions see FitzGerald et al (1988) as well as for empirical evidence on the shifts in the ex-post accumulation balances for different groups of DCs. Also, for empirical evidence see FitzGerald and Sarmad (1990).

single year was the increase below 10 percent. Export prices and volume grew at 15 and 9 percent, respectively. Real value added in mining grew 38 percent a year, although it started from a low base: manufacturing by 14 percent a year; and construction by 18 percent a year. This period stressed those major sectors where the country had a strong comparative advantage: raw sugar exports reached one million metric tons, ferronickel reached 80 thousand metric tons, and tourism began to expand. Manufacturing was directed towards import-substitution possibilities<sup>40</sup>. Thus, export expansion was the main driving force of growth.



As the economy was growing rapidly, it was experimenting dramatic structural transformations because of the emergence of import substitution industries. In this sense, economic policy tended to provide stimuli to investments in a potential industrial sector. At this stage the country lacked an industrial base and, the implementation of the Law 299 (1968) for industrial incentives was the vehicle used by the authorities to stimulate the creation of the industrial infrastructure. Tax exemptions were provided

<sup>40</sup> Ibidem.

oil shock of 1974, by subsidizing oil prices with earnings from sugar. Another critic of the World Bank (1987)<sup>44</sup> was that the incentive framework channelled much new investment into sectors that were not internationally competitive and whose existence was predicated on implicit subsidies through the pricing, tariff or financial systems. For example, industry, producing for a highly protected domestic market, grew by more than 9 percent during the period 1966-76. Non-tradable sectors also grew rapidly, most notably construction at more than 13 percent per year. These investments left the economy poorly positioned to respond to the additional shocks that were to come.

## **2. The Period of Stagnation and Descent into the Crisis (1975-81).**

Since 1974 several new external factors came into play to decide to a great extent the future of the economy. In this sense export prices, particularly that of sugar, became substantially more volatile adding constraints to the short-term manageability of the economy. Exports prices reached a peak in 1975, declined by 30 percent in the 1977-79 period, reached a new peak in 1981, and fell drastically by 40 percent in 1982. The oil price shocks of 1974 and 1979-80 increased the fuel import bill tenfold, reaching US\$500 million by 1981. As a result of these changes in relative prices, terms of trade deteriorated severely. In 1977 only the petroleum bill absorbed 60 percent of all sugar export earnings, but by 1982 it had risen to 133 percent of sugar earnings<sup>45</sup>.

Apart from the deterioration in the terms of trade, a second external factor was the decline in export volume induced primarily by the recession in the industrialized countries. By 1982, the volume index of exports had declined one fifth below its 1978 value<sup>46</sup>.

A third external factor was the abrupt rise in interest rates in the OECD countries; this pushed up the cost of the Dominican Republic's foreign borrowing. Service payments on public foreign debt rose from US\$88 million in 1978 to US\$246 million in 1979 and, after dropping slightly in 1980-81, rose to US\$256 million in 1982.

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<sup>44</sup> See also Guigliani (1987) "El Sistema Tributario Dominicano".

<sup>45</sup> See World Bank (1985) "Dominican Republic: Economic Prospects and Policies to Renew Growth".

<sup>46</sup> Ibidem.

terms of trade and 35 percent attributable to export volume.

But a discussion of the transmission mechanism, rather than the excessive external borrowing by the central government, regarding the effects of fiscal deficit on the external deficit in order to identify the direction of the causal relationship among this two variables, is not made clear. This raises questions as regard the relative importance of the different factors that are responsible for the deterioration of D.R.'s external position, i.e. terms of trade deterioration, export volume declines, and interest rate rises.

The World Bank (1985) argues that government policy responses were insufficient to cope with external shocks and secular stagnation. In spite of the unfavourable external environment, imports kept growing at rates above that of GDP growth. During the period 1975-80, capital goods and raw materials imports grew at 8 percent a year in real terms, largely financed by increasing private and public external borrowing. The growth in imports and borrowing was encouraged by an exchange rate policy which made imports artificially cheap and effectively eliminated exchange rate risks to private borrowers<sup>49</sup>.

The fiscal situation also suffered a continuous deterioration. Current savings declined sharply and even became negative by 1982, as the current revenues did not keep up with expenditures. Central government revenues fell from 15 percent of GDP in 1970 to 10 percent in 1982<sup>50</sup>.

Cuddington's views on the factors that contributed to the current financial crisis and economic slowdown in the D.R. concentrate particularly on the domestic factors contributing to the build-up of external debt rather than on external shocks. In this sense, four long-term changes account for much of the growth in debt: i) major changes in investment and savings behaviour of the public and private sector; ii) the erosion of the public sector finances; iii) the surge in government consumption after 1976; and iv) sharply adverse trends in government's revenue raising ability.

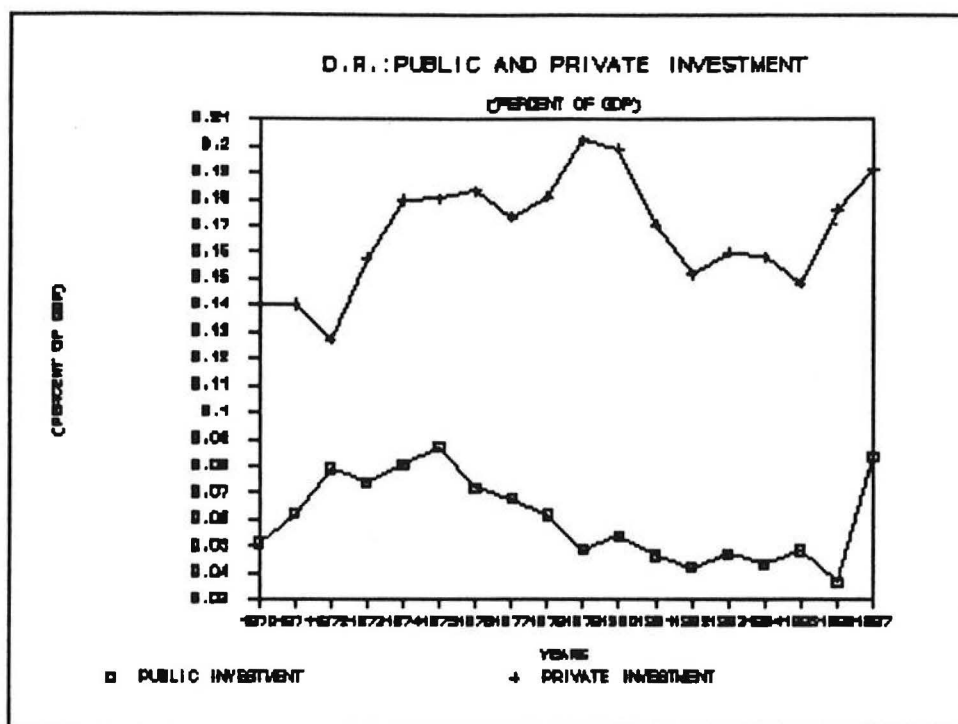
Cuddington's analysis on the changes in investment and savings behaviour of the public and private sectors uses as a period of analysis the mid-1960s and the 1970s to explain the transition of D.R. from a low investment to a high investment economy. However, we believe that in order to understand properly the dynamics of investment and savings one has to analyse the trends in these variables during the decade of the 1970s and the 1980s. This is

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<sup>49</sup> World Bank (1985)

<sup>50</sup> See Statistical Appendix, Table 3.





The third point regarding the surge of government consumption after 1976 as an important caused of the growing deficit does not take into account the fact recognized by the World Bank (1987), that the incentive scheme, with large amounts of exemptions under the industrial and tourism laws provided to the private sector was one of the main factors contributing to the eating away of public savings and the resulting deterioration of the fiscal deficit. Indeed our figures revealed that public consumption decreased by 1 percent of GDP between 1970-73 and 1974-77, and then increased again by 1 percent in the period 1978-81, whereas private consumption surged from 74 to 76 percent in the first two periods. Again we believe that in any case, such increase in public consumption, per se, given its magnitude, can not be regarded as a main caused of the fiscal deficit.

to US\$2.2 billion in 1980<sup>51</sup>. The situation by 1982 was grave: the overall public sector deficit was 6 percent of GDP, the current account deficit of the balance of payments was 6.5 percent, and international reserves of the Central Bank fell to an unprecedented figure of minus US\$679 million. Arrears were accumulating and international commodity prices offered no relief. The government could not longer meet its debt service of US\$396 million and could not meet the demand for dollars at the official rate. The country had no recourse other than stabilization and debt rescheduling<sup>52</sup>.

### 3. Stabilization Efforts (1982-87).

In 1983 an Extended Facility Agreement was approved by the IMF for a period of three years. The objective of the program was to achieve a sustainable position of the balance of payments. The main goal was to diminish the loss of international reserves of the Central Bank by reducing the deficit on current account and avoiding a further deterioration of the capital account.

Regarding the fiscal policy, the goal was to reduce the public sector deficit from 7 percent of GDP to 4 percent. This was expected to be achieved by the introduction of new taxes, which included a sales tax (ITBI)<sup>53</sup>; the reduction of government current expenditures; and the reduction of the operational losses of the public enterprises by eliminating subsidies and re-adjusting prices, among other measures.

At the external level, the aim was to accelerate the transfers of imports from the official to the parallel market, and the rescheduling of US\$660 million in foreign debt. But the government abandoned the program in the mid-1983 and adopted an expansionary policy in an attempt to offset the fall in GDP.

Throughout 1984 the authorities began to implement a transition program with the consent of the IMF which resulted in an increased of food and other consumer prices, a raise in petroleum prices, credit austerity, and strict control of public expenditures. It also transferred all imports except oil and debt service to the parallel market.

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<sup>51</sup> See Statistical Appendix, Table 1.

<sup>52</sup> World Bank (1987) "Dominican Republic: An Agenda for reform". And, Statistical Appendix, Table 1.

<sup>53</sup> Impuesto a las Transferencias de Bienes Industrializados.

Although in theory the Fund recognizes this issue, in practice, the lack of a more gradual treatment in the application of policies with a greater inflow of resources, altogether with other complementary policies did not allow a process of growth based in a diversification of exports structure in the longer term.

The devaluation of 200 percent of the exchange rate did not result in a better performance of the export sector as argue by the Bank<sup>58</sup>. Indeed, in an economy like Dominican Republic where 90 percent of exports consist of primary products, which in turn are characterized by a low elasticity of supply, a devaluation would not result in an increase in net exports<sup>59</sup>.

Regarding the fiscal policy we believe that the burden of adjustment concerning the fiscal deficit could have been distributed in a more equitable way if the new taxes would have been on property and income instead of the indirect taxes which were applied on consumption and led to social disruption in april 1984.

In 1986, the Balaguer administration took office and pursued a policy of selective moratorium on repayments of principals. Interest payments to official creditors such as the IMF, World Bank, and Interamerican Development Bank have been maintained, but those to private creditors have in some cases been in arrears. In 1987 and 1988, external debt repayments (excluding the oil financing facilities payments) amounted to US\$352 and US\$341 million respectively, at a time when no new credit was requested. Meanwhile, talks with the IMF on a new accord have been suspended and both the main candidates in the 1990 presidential elections (Balaguer and Bosch) made clear their opposition to a new agreement with the Fund<sup>60</sup>.

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<sup>58</sup> See World Bank (1987)

<sup>59</sup> See Pellerano (1989).

<sup>60</sup> See Cuddington and Asilis (1990) "Fiscal Policy, the Current Account and the External Debt Problem in the Dominican Republic". *Journal of Latin American Studies*. Vol. 22, No. 2.

The data set is contained in the statistical appendix, and not all the components are used in the present analysis, rather the provision of the set as a whole is an attempt to lay the basis for future research. In the next section we will concentrate on the main sources and methodology used in the construction of such data framework.

## **2. Sources and Methodology.**

The statistical appendix consist of seven main tables from which other sub-tables are derived. The former are given on a yearly basis from 1970 to 1987, and the latter are grouped in seven sub-periods: 1970-79, 1980-87, 1970-73, 1974-77, 1979-81, 1982-85, and 1986-87. This is done, firstly, in order to stress the different governmental periods which determine to a great extent the behaviour of main macro variables due to domestic policy packages apply by the administrations in question (expansionary policies, stabilization policies, etc.), and secondly, to take into account the different conjunctures of the international economy which affect largely the performance of small open economies like the Dominican Republic (i.e. the oil shocks of the mid-seventies and early-eighties, the commodity boom of the early-seventies, the interest rates shock of the early-eighties, the recession in the industrialized economies and so on).

The first table is composed of some general indicators, foreign trade transactions, and external debt. The foreign trade indicators are given in US dollars and have been taken from World Tables (World Bank, 1989, various issues), with the exception of the structure of imports, comprising raw materials and capital goods for the different sectors, which have been taken from ECLA (Statistical Yearbook for Latin America and the Caribbean, various issues). The balances are deducted as the difference between the credit and debit sides of the categories in question (only where applicable). The external debt indicators are taken from Word Debt Tables (World Bank, 1989, various issues). The item "Transfer of Resources from (to) the North" is the sum of the increase in long-term debt plus factor services plus direct investment.

The second table comprises the main macroeconomic aggregates given in constant prices of 1970. It includes the GDP and its components: Consumption (C), Investment (I) and Savings which are disaggregated in public and private sectors. The domestic absorption is just the sum of total consumption and investment. Gross Domestic Savings (GDS) is the difference between GDP and

File: D-wages  
Table No.7

Concept/Years	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Wages and Prices																		
Index, 1980=100																		
Nominal Wage Rate, Manufacturing																		
Skilled																		
Unskilled																		
Real Wage Rate, Deflated with CPI																		
Skilled																		
Unskilled																		
Consumer Price Index	36	37	40	47	53	60	65	73	78	86	100	108	116	124	154	212	233	270
Wholesale Price Index																		
Domestic Agriculture																		
Domestic Non-agriculture																		
Imported Goods																		
Domestic Terms of Trade																		
GDP Deflator	43	44	47	50	58	69	71	78	79	88	100	106	114	118	151	209	230	
Domestic Absorption	44	45	48	51	58	64	71	79	83	92	100	105	116	119	153	218	227	
Agriculture	38	35	38	44	55	67	61	73	68	77	100	96	96	98	125	208	229	
Industry	48	47	49	49	59	75	76	78	82	87	100	104	123	121	156	203	228	
Domestic Terms of Trade	79	75	76	90	93	90	81	94	83	88	100	92	78	81	80	102	101	
Export Price Index	27	27	32	40	66	78	70	79	79	86	100	91	80	82	82	75	90	
Nonfuel Primary Commodities	27	27	30	38	65	80	71	81	79	85	100	90	79	80	80	71	85	
Fuels	4	6	6	9	37	36	38	42	42	61	100	113	102	93	90	88	46	
Manufactures	40	37	39	50	67	66	67	72	76	90	100	99	95	91	89	89	103	
Import Price Index	24	25	26	32	55	55	64	62	67	81	100	104	97	94	93	91	86	
External Terms of Trade	114	108	123	125	119	142	110	129	118	107	100	88	82	87	88	83	104	
Nominal Exchange Rate (NER)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.37	2.15	2.71	3.53
Real Exchange Rate	1.03	1.02	0.99	0.97	1.02	0.98	0.95	0.89	0.90	0.93	0.90	0.92	0.87	0.82	0.93	1.05	1.17	1.34
NER/Nominal Wage Rate																		
NER * K Price Index/GDP deflator	0.63	0.62	0.67	0.81	1.13	1.13	1.00	1.02	1.00	0.99	1.00	0.86	0.70	0.69	0.68	0.92	0.00	
NER * M Price Index/GDP Deflator	0.55	0.57	0.54	0.65	0.95	0.80	0.91	0.79	0.85	0.92	1.00	0.98	0.85	0.80	0.84	0.93	1.02	
X Price Index/Industry GDP Deflator	56.04	56.78	64.30	81.54	111.36	104.02	93.11	101.67	96.57	98.74	100.00	87.97	64.98	67.30	52.63	36.90	39.39	
Productivity and Efficiency																		
Index, 1980=100																		
Manufacturing Output per Employed	53	59	59	72	73	80	98	83	83	90	100	104	86	88	86	80		

Sources:

- 1) World Bank, World Tables (1989)
- 2) Central Bank of the Dominican Republic

Republic. The standard national accounting framework has been used:

GDP identity is:

$$(1) \text{ GDP} = C + I + X - M$$

where,

C = consumption

I = Investment

X = non-factorial exports

M = non-factorial imports

To derive the accumulation balance:

$$(2) \text{ I} = \text{GDP} - C + M - X$$

$$(2a) \text{ I} = \text{Sd} + (M - X)$$

where,

Sd = domestic savings

If net factor payments are included:

$$(3) \text{ GDP} - F = C + I - F + X - M$$

then

$$(4) \text{ I} = (\text{GDP} - C - F) + (F + M - X)$$

where,

$(\text{GDP} - F - C) = \text{Sn} = \text{national savings}$

$(F + M - X) = \text{Se} = \text{external savings}$

Rearranging identity (4) we have the accumulation balance:

$$(5) \text{ I} - \text{Sn} = (F + M - X)$$

$$(5a) \text{ Sn} = \text{I} - F + (M - X)$$

The sixth table is just the current account of the balance of payments and the data is taken from World Tables (World Bank, various issues) and updated with IMF (Dominican Republic: Recent Economic Developments, 1989).

In the last table we attempt to present a series of indices on wages and prices. Nevertheless, lack of data on wages and labour statistics did not allowed for a more complete version of it.

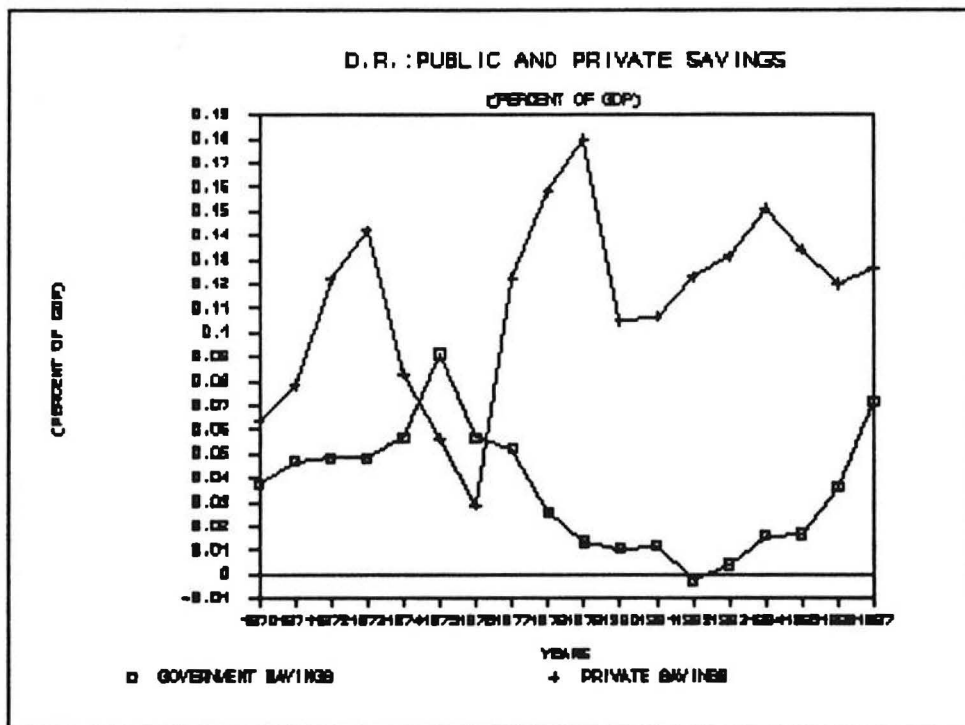
The analysis of the data will reveal in the first place, the evolution of the trade sector, showing that the stagnant exports and therefore the foreign exchange inflow have not been able to finance the necessary level of imports, resulting in a deficitary balance of trade and increase external indebtedness.

Secondly, an analysis of the fiscal structure will lead to the conclusion that the tax system in the Dominican Republic is dependent on a very narrow tax base, which provides a low degree of elasticity to the tax system, given

mainly on foodstuffs via subsidies to the Price Stabilization Institute (INESPRE). In fact public investment fell to an average of 5% of GDP and private investment adjusted downwards. In 1987, the policies of the 70s are retaken.

Public and private savings show quite different trends according to periods. Government savings reached 9% of GDP in 1975, whereas private savings decreased sharply from 14% in 1973 to 8% in 1974, and 6% in 1975. But, in the second sugar price shock (1980), government savings declined abruptly to 1% of GDP and less in the subsequent years, whereas private savings recorded 10% of GDP. This fact suggests that the oil shock of the early 80s was mainly absorbed by the public sector, which implemented policies towards subsidizing gas.

During the decade of the 70s public investment averaged 7.1% of GDP and private investment 14.9%. In the decade of the 80s the averages were 4.7% and 17.1% respectively. Public savings have been the more depressed in the early 80s due to the oil shock, and private savings to a lesser extend. Both variable show a recovery in 1987. On average in the decade of the 70s internal finance came from the public sector, and in the 80s from the private sector. From the 70s to the 80s public savings fell by 5% of GDP and private savings increased by 5% of GDP.



the 1970s the state became an active agent in the production process, and the strong expansion of private investment was accompanied by a similar expansion of public investment; the state could rebound from external shocks such as the increase in oil prices of the mid-1970s due the large amount of resources that the sugar sector provided; and furthermore, the state provided enough finance and infrastructure for the private sector to develop rapidly. However, during the decade of the 1980s the role of the state is undermined by its inability to generate the necessary resources for accumulation and its position is weakened in front of the civil society. Thus, constituting the fiscal crisis of the Dominican state.

### 3.2 Foreign Trade.

The balance of trade of the Dominican Republic has been showing a systematic deterioration, this being most remarkably in the early 80s. Nevertheless, external shocks have affected the economy in certain periods, and these shocks have not been met by domestic policies in order to adjust the economy. The most important shocks refer to: firstly, the 1975 boom in sugar prices, which resulted in a surplus of the trade balance of US\$ 121 million. However, these resources were mainly used to finance higher level of imports of raw materials and consumer goods. Secondly, the oil shock of 1980, which provoked a sharp deficit of the balance of trade of US\$678 million, an increase of almost 100%; this shock was not met by a concomitant increase in the volume of exports, but rather a sharp deterioration of traditional exports happened. And thirdly, the debt shock of the 80s, which has been met mainly by the state sector, in detriment of government savings.

Despite these shocks, historically the balance of trade has shown deficitary trends and export revenues has not been able to meet import demand, which reflects the high dependency on imports of the Dominican economy.

Exports averaged US\$583 million in the decade of the 70s and US\$860 million during the 80s, whereas imports averaged US\$729 and US\$1433 million respectively.

One of the main structural weaknesses of the Dominican economy is reflected in both the structure and the dynamic of the exporting sector. Primary commodities have accounted for the largest share of total exports and manufactures for a smaller share. During the decade of the 70s primary goods accounted for 82 percent of total exports whereas manufactures accounted for 18 percent. In the decade of the 80s these shares were very similar, those of



that there was a drastic fall in this kind of finance from 13.2 percent of imports of goods and services in the period 1968-77 to 4 percent in 78-81 and 2.6 percent in 1982-86<sup>63</sup>.

The "Transfer of Resources from the North" between the decade of the 70s and the 80s have only increase slightly from US\$95 million to US\$116 million, which has not been enough to finance the necessary level of imports and resulting in increase external debt.

Another fundamental problem was the incapability of the government of implementing a fiscal reform. Indeed the tax structure was design to stimulate the urban industrial sector, and was characterized by the large amount of exemptions, which in turn, did not allowed for a greater degree of elasticity of the tax system to cope with increasing expenditure needs.

The debt crisis is mainly reflected in a debt service ratio mounting from 15% in the decade of the 70s to 27% in the 80s; a debt/GDP ratio that doubled from 21% to 42% in the same period.

The main problematic that the previous analysis show is that there has been a major shift from the public to the private sector originated in the style of import-substitution industrialisation, resulting in a deterioration of public finances, which in turn, has made the government to finance its deficit with external resources leading to an unsustainable external debt problem.

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<sup>63</sup> See Ceara Hatton, M. (1990).

percent ad valorem tax on all imports, excluding exonerated imports; b) Law 136 which established a 4 percent surcharge; c) Law 346 of 1972 establishing a minimum tariff of 10 percent; d) Law 597 of 1977, raising the tariff rate on machinery, equipment, and spare parts to 20 percent; and finally, e) Law 48 of 1982, which established a one-year additional 10 percent import tax.

The resulting tariff system is extremely complex to administer. Additive tariff laws have specific and ad-valorem tariffs requiring that each product be calculated individually. All many cases of total or partial exonerations arising from special contracts between particular enterprises and the Government create special laws granting specific tariff exonerations. The most important source of tariff exonerations is Law 299, which grants to registered import-substitution firms substantial exonerations -up to 95 percent- on import tariffs on raw materials and intermediate inputs, as well as significant tax exemptions for reinvestment.

## **2. The Incentive Structure for Non-Traditional Exports.**

The Export Incentives Law (Law 69), implemented in mid-1980, grants incentives to non-traditional exports by providing both foreign exchange and fiscal incentives. The former partially exempts exporters from the surrender requirements of currencies obtained from non-traditional exports. The latter included a tax certificate credit (Certificado de Abono Tributario -CAT) until October 1983 and a drawback system to admit imported inputs to export production.

### **2.1 Foreign Exchange Incentives.**

The foreign exchange incentive scheme allows exporters of non-traditional products to keep a fixed portion of their foreign exchange earnings by exempting these exporters from the requirement that they surrender all foreign exchange earnings to the Central Bank. The percentage exemption varies between 20 percent and 100 percent according to several factors. The most important seems to be the domestic value added, which also establishes the eligibility criteria for granting the incentive. To be eligible exports have to have a domestic component of at least 30 percent of their f.o.b. price. Other factors include the development of new products and new markets for exports, the net foreign exchange earned, and the region where the product is produced. The return portion can be sold on the parallel market, thus increasing the peso receipts of the exporter.

The number of products granted by the foreign exchange incentive

diversified industry, which articulates to the rest of the sectors in the economy. Administrative complexity and political corruption, among other factors, have led to a crisis of the state itself and to the inability of mobilizing resources in the economy in order to promote growth and social welfare.

### **3. Fiscal Policies, External Shocks and Macro-Management Capacity.**

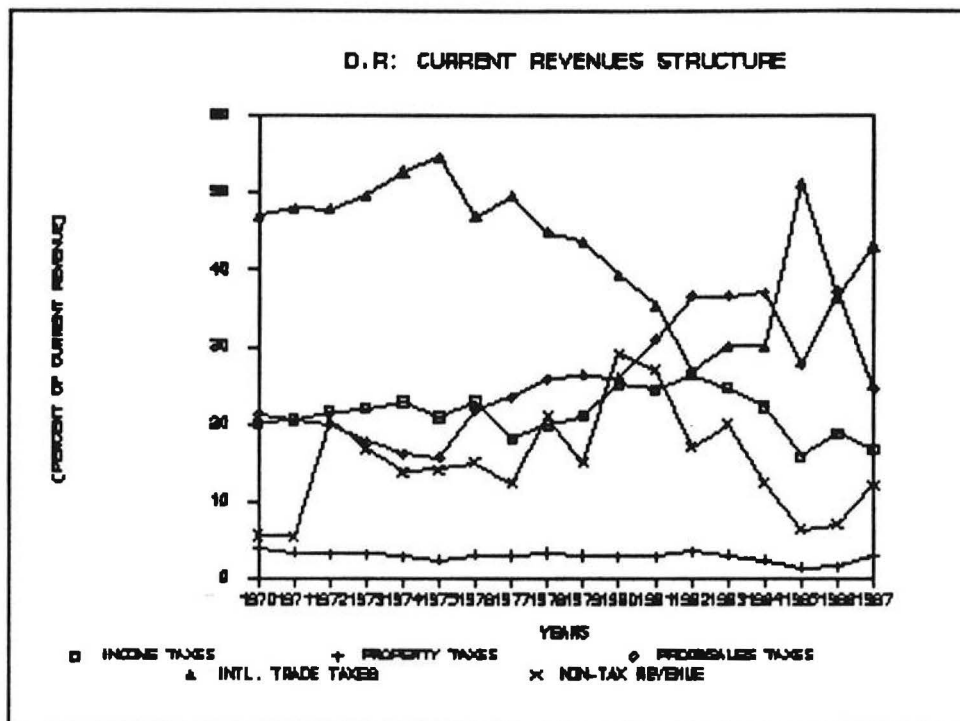
The Dominican Republic is experiencing the worst fiscal crisis in the country's recent history. In order to understand the process properly, one has to look at the dynamics of the public sector itself, the private sector and the external sector. In this way we can see that the origins of the fiscal crisis of the state in Dominican Republic is the result of a large set of elements, stemming from the complex interrelationships among the actors in the domestic economy and the world economy.

As we mention in the previous section, the Dominican Republic, as well as other Latin American countries engaged in a process of import-substitution industrialisation after the mid-sixties in an attempt to diversify the sugar-based economy. The way in which this process was undertaken laid the basis for the crisis after the mid-1970s. This crisis was materialized by the different external shocks that affected the region. At this moment the country lack a fiscal structure that would have permitted the necessary adjustments.

#### **3.1 Fiscal Structure.**

The fiscal structure of the Dominican Republic is characterized by a tax structure which is not able to keep up expenditure needs under an unfavourable external environment. The narrow tax base and the administrative complexity of tax collection will lay the basis for the analysis of Dominican fiscal crisis, and the further conclusion that the state has been both incapable and unable to adjust and stabilized the economy during external shocks in order to facilitate the process of accumulation and growth. Indeed, current revenues in the D.R. are totally depressed. In 1987 they only reached the share of GDP of 1970, that of 15%, which means that under the presence of external shocks, such as the fall in commodity prices, the oil shocks, and the debt shock, the government have been left with practically no resources in order to meet these shocks. The highest and exceptional share was in 1975, that of 17% of GDP, which is explained by the highest international trade tax collection, that of 55% as percent of current revenues. Since then trade taxes have been

by an increase of 12% in production and sales taxes, which led to social disruption in 1984. Non-tax revenue increase 4% from 12% in the 70s to 16% in the 80s.



As % of total expenditure, current expenditures increased by 11%; capital expenditures decreased by 12%; and, total investment fell by 14%, between the 70s and the 80s. Social security, health, education, and housing expenditures all fell on average terms.

In this sense Cuddington and Asilis (1990)<sup>67</sup> argue that there is a very high correlation between the public sector deficit and the current account deficit in the Dominican Republic. Indeed our testing reflects that there is certain degree of association between these two variables but this relationship changes according to the period of analysis. As we mention in chapter two Cuddington's analysis only takes into consideration the decade of the 1970s, and it is our believe that there are some radical changes between this decade and the decade of the 1980s affecting the current account deficit and the public sector finances in such a way that this causal relationship can not be established at all, given especially the negative effect of external shocks in both the position of the current account due to terms of trade deterioration and higher interest rates, and thus in the position of public sector finances due to deterioration of the revenue-raising ability by the government. Our estimation for the period of 1970-79, suggests that there is a positive relationship between the public sector deficit and both the current account deficit and trade deficit. But for the period of 1980-87 there is no relationship at all as suggested by our estimates.

The results were as follows:

$$\begin{array}{ll}
 (1970-79): & dB = -0.0443 + 1.1035 dD \\
 & \qquad \qquad \qquad (2.74) \qquad \qquad \qquad R\text{-square: } 48 \% \\
 & dB^* = -0.0405 + 0.7728 dD \\
 & \qquad \qquad \qquad (2.29) \qquad \qquad \qquad R\text{-square: } 40 \% \\
 (1980-87): & dB = -0.0337 + 0.6163 dD \\
 & \qquad \qquad \qquad (0.66) \qquad \qquad \qquad R\text{-square: } 7 \% \\
 & dB^* = -0.0105 + 0.7647 dB \\
 & \qquad \qquad \qquad (0.76) \qquad \qquad \qquad R\text{-square: } 9 \%
 \end{array}$$

where,

B = Current Account Deficit as percent of GDP

B\* = Trade Deficit as percent of GDP

D = Public Sector Deficit as percent of GDP

t-in parenthesis

A large amount of literature has dealt with this issue and a significant relationship for some countries has been found, whereas for many other countries the result was negative<sup>68</sup>. The conclusion of most of these authors in the case of a positive relationship between the current account deficit and the public sector deficit, as Mansur (1989) explains for the case of the

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<sup>67</sup> See Cuddington and Asilis (1990) p.341

<sup>68</sup> See for example Milne (1979); Kelly (1982); Tahari (1978): in Mansur (1989); and Cuddington and Asilis (1990).

investment expanded rapidly and private investment followed. But the incentive scheme explained before was neither set in a performance basis nor in a quid pro quo basis. The large amount of exemptions provided under the different incentives laws tended to erode public savings whereas the low tax pressure resulted in increased private savings, which in turn resulted sometimes in capital flight. This means that in the decade of the eighties the fiscal sector is in a crisis that it has to finance its expenditures for investment with internal credit, given that the external funds are very tight because of the debt problem.

We run some econometric regressions relating public and private investment in order to test how public investment affects private investment through the "crowding-in" effect of infrastructure provision. We tested for different periods, and we obtained that for the period 1970-87 there was a negative relation between the two variables, whereas for shorter periods no statistical relationship was found.

The results were as follows:

$$\begin{array}{ll} (1970-87): & dIp = 0.1999 - 0.6849 dIg \\ & (2.02) \quad R\text{-square: } 20 \% \\ (1970-79): & dIp = 0.2217 - 1.0299 dIg \\ & (1.66) \quad R\text{-square: } 26 \% \\ (1980-87): & dIp = 0.1545 + 0.3489 dIg \\ & (0.55) \quad R\text{-square: } 5 \% \end{array}$$

where,

Ip = Private Investment as percent of GDP  
Ig = Public Investment as percent of GDP  
t-in parentheses

This raises questions as regards the composition of public investment, especially infrastructure, during different periods and the overall effect on private investment. But most of all this implies that other factors have to be taken into account when looking at the determinants of private investment in the D.R., such as availability of foreign exchange, profit expectations, etc. We tested also private investment as a lagged function of public investment and no significant statistical relation could be found. If any relation at all, it would be positive as suggested by our estimates for three to five lags.

of fiscal transfers and subsidies provided by the state and the special incentives offered to specific sectors. Regarding the access of the private sector to foreign capital markets we can see that during the decade of the 70s and 80s external finance to the private sector accounted for 4.3 and 4.0 percent of GDP compared to 1.5 and 2.7 percent accruing to the public sector, respectively. Furthermore if we take into account that the large firms of D.R. are usually gathered in conglomerates, which include industrial activities, banking, "financieras", insurance companies, and so on and so forth, there is no a priori reason to believe that the use by the public sector of domestic and external resources, given its magnitude, crowds-out private investment.

Our main contribution for achieving this task have been the construction of a data base for the Dominican Republic which takes into account the central elements of the accumulation account itself from which the private sector balances are derived by definition, the fiscal accounts, and the external sector accounts. This is a major step for the analysis of macroeconomic phenomena in the D.R. since the official available data is usually too aggregated and disperse so as to provide the necessary quantitative basis for any study of finance and capital accumulation.

The main conclusion that emerges from our study is that the fiscal crisis by which the Dominican Republic is going through in the decade of the 1980s is the result of a multiple set of factors. At the internal level the major factor contributing to the current crisis have been the role of the Dominican state in the process of accumulation and allocation of resources. During the decade of the 1970s state expansion had served to provide support for the industrialisation process, but in so doing had generated a steadily worsening systemic fiscal crisis as the tax base both failed to keep up with expenditure and exacerbated and inequitable income distribution (FitzGerald, 1978; 1983). Indeed, the major cause of the erosion of public savings and the deterioration of the fiscal deficit has been the provision to the private sector of an incentives scheme which did not provide the intended results in terms of economic returns and failed to develop an efficient and productive industry. This problem have been further exacerbated by the unexpected set of external shocks stemming from the recession in the industrial market economies and the deterioration of commodity prices. All of this resulted in a debt problem which in the decade of the 80s the government can not longer manage as it confronts large political obstacles to tax reform and thus fails to perform the tasks that the logic of capital accumulation requires, namely, the mobilisation and allocation of resources by means of fiscal policy in order to increase growth and development.

Our empirical evidence has shown that the interrelationship among economic agents in the Dominican economy and the way in which the fiscal, external, and private balances are structured within the accumulation balance, has changed substantially from the decade of the 1970s to the decade of the 1980s, so as to deny: Firstly, that in the decade of the 1980s, the most important cause of the deterioration of the country's external position has been the large fiscal deficits; secondly, there has been a change in the dynamics of public and private sectors accumulation, so as to determine, in



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**STATISTICAL APPENDIX**

File: DR-Trade  
Table No.1  
Dominican Republic: Economic Indicators, 1970-1987

Concept/Years	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
<b>General</b>																		
Population	Thousands																	
	4,423	4,541	4,663	4,788	4,916	5,048	5,172	5,298	5,428	5,561	5,697	5,834	5,974	6,118	6,265	6,416	6,564	6,708
GDP	Millions of RD\$ Pesos																	
	1,486	1,667	1,987	2,345	2,926	3,599	3,952	4,587	4,734	5,490	6,631	7,267	7,964	8,623	10,355	13,866	17,501	19,298
Long-Term Debt	Millions of US\$																	
	353	391	435	470	578	673	787	913	1,032	1,163	1,474	1,633	2,091	2,997	5,189	8,859	8,774	12,611
Gov. Total Expenditures	255	295	324	378	490	588	560	617	673	975	1,053	1,081	963	1,142	1,281	2,376	2,271	3,293
Debt Service	39	46	48	62	67	95	108	138	164	305	379	396	432	470	540	942	1,331	1,183
Conversion Factor	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.09	1.26	2.06	3.11	2.90	3.84
<b>Foreign Trade</b>																		
Exports	257	290	411	514	730	1,010	844	927	828	1,135	1,272	1,513	1,142	1,242	1,370	1,323	1,405	1,568
Goods	214	241	348	442	637	894	716	781	676	869	962	1,188	768	765	868	739	720	711
Nonfuel Primary	204	229	285	342	535	761	567	653	548	675	796	1,002	665	627	669	535	510	
Fuels	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	
Manufactures	10	12	69	101	114	132	149	127	127	194	166	186	109	155	199	200	208	
Manufacturer Services	49	49	64	72	94	116	128	147	152	266	310	325	374	467	502	584	665	857
Factor Services	2	2	2	3	5	5	9	12	21	32	42	12	4	7	6	22	17	
Imports	304	358	388	489	808	889	878	975	987	1,213	1,640	1,668	1,444	1,471	1,446	1,487	1,433	
Goods	278	310	338	422	673	773	764	849	862	1,138	1,520	1,462	1,257	1,279	1,257	1,286	1,263	1,592
Construction Materials	14	17	17	22	35	47	61	40	28	49	49	37	36	27				
Capital Goods For Agriculture	10	13	13	17	24	32	49	10	13	10	21	14	5	7				
Capital Goods for Industry	57	70	73	78	113	118	114	137	130	136	184	177	153	137				
Capital Goods for Transport	17	22	23	24	35	59	63	74	72	82	86	85	54	53				
Raw Materials	96	112	116	173	247	297	281	355	396	450	503	462	429	444				
Consumer Goods	92	103	106	141	197	202	192	174	164	181	234	214	156	52				
Manufacturer Services	86	99	104	142	249	236	226	248	232	347	399	367	277	299	300	275	282	
Factor Services	27	30	48	80	95	118	118	111	157	220	319	288	259	304	247	248	266	
Long-term Interest	13	14	16	20	23	39	34	48	61	78	121	144	127	131	120	145	182	
Balances	(47)	680	23	25	(78)	121	(34)	(48)	(159)	(78)	(369)	(155)	(302)	(229)	(76)	(164)	(28)	
Goods	(64)	(69)	10	20	(36)	121	(47)	(69)	(187)	(269)	(588)	(264)	(490)	(494)	(399)	(548)	(543)	
Manufacturer Services	(49)	(49)	(41)	(71)	(150)	(120)	(99)	(101)	(139)	(81)	(89)	(42)	97	158	202	310	403	
Factor Services	(26)	(29)	(47)	(77)	(90)	(113)	(109)	(98)	(136)	(188)	(277)	(277)	(255)	(297)	(241)	(226)	(249)	
Total Debt Stocks	360	403	499	470	588	673	812	1,121	1,394	1,604	2,002	2,294	2,519	2,923	3,111	3,499	3,640	3,843
Long-term	353	391	435	470	578	673	787	913	1,032	1,163	1,474	1,633	1,918	2,379	2,519	2,849	3,025	3,294
Public and Publicly Guar.	212	233	278	313	354	411	506	610	736	868	1,220	1,400	1,666	2,198	2,363	2,698	2,879	3,151
Private	141	159	157	157	224	262	281	303	296	295	254	233	252	181	156	151	146	133
Short-Term	NA	NA	NA	NA	NA	NA	NA	164	255	317	480	638	529	298	371	362	311	275
Use of IMF credit	7	12	4	0	11	0	25	44	48	124	49	23	71	246	221	297	304	294
Debt Service	39	46	48	62	67	95	108	138	164	305	379	396	396	373	262	308	499	308
On Public Debt	12	18	16	29	32	49	55	69	88	246	154	229	256	221	261	201	273	182
Interest Payments	4	5	7	9	11	18	18	24	40	56	92	120	108	107	101	130	176	94
Effective Interest Rate	1.9%	2.2%	2.5%	2.9%	3.1%	4.4%	3.6%	3.9%	5.4%	6.5%	7.5%	8.6%	6.5%	4.9%	4.3%	4.8%	6.1%	3.0%
On Private Debt	28	28	31	33	35	46	53	69	77	99	102	51	50	96	40	23	15	25
Interest Payments	8	9	9	11	13	15	16	25	21	22	29	24	18	24	11	10	11	12
Effective Interest Rate	5.7%	5.7%	5.7%	7.0%	5.8%	5.7%	5.7%	8.3%	7.1%	7.5%	11.4%	10.3%	7.1%	13.3%	7.1%	6.6%	7.5%	9.0%
Debt Service Ratio	15.2%	15.9%	11.7%	12.1%	9.2%	9.4%	12.8%	14.9%	19.8%	26.9%	29.8%	26.2%	34.7%	30.0%	19.1%	22.9%	32.7%	19.6%
Debt/GDP Ratio	23.8%	23.5%	21.9%	20.0%	19.7%	18.7%	19.9%	19.9%	21.8%	21.2%	22.2%	22.5%	26.3%	34.8%	50.1%	63.9%	50.1%	65.3%
Debt/Gov. Expenditures	11.0%	11.8%	11.0%	13.2%	11.6%	14.1%	13.7%	15.1%	15.9%	26.2%	25.7%	24.3%	20.6%	15.7%	10.4%	10.6%	15.2%	9.4%
LIBOR 6 months US\$ deposits)			6.0%	9.4%	10.8%	7.8%	6.4%	9.2%	12.2%	14.0%	16.7%	13.6%	9.9%	11.3%	8.6%	6.9%		
Transfer of Resources from (to) the "North"		59	42	12	71	46	90	257	117	163	313	65	660	200	(42)	199	(40)	292

Sources:

- 1) World Bank, World Tables (1989D).
- 2) World Bank, World Debt Tables (1989D).
- 3) ECLA, Statistical Yearbook for Latin America and Caribbean, various issues.

File: DR-Macro  
Table No.2

Concept/Years	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Macroeconomic Aggregates																		
	Million of 1970 Pesos.																	
GDP	1,486	1,646	1,818	2,053	2,176	2,289	2,243	2,565	2,620	2,739	2,904	3,020	3,069	3,209	3,218	3,135	3,294	3,498
Consumption (C)	1,310	1,411	1,465	1,594	1,804	1,879	1,973	2,048	2,062	2,114	2,475	2,541	2,601	2,664	2,605	2,610	2,682	2,755
Public	172	160	159	163	223	179	136	152	175	213	261	332	337	347	346	361	387	318
Private	1,138	1,251	1,307	1,431	1,580	1,700	1,839	1,897	1,887	1,901	2,215	2,209	2,263	2,316	2,259	2,249	2,295	2,437
Changes in Inventories																		
Investment (I)	284	333	375	476	566	612	573	619	636	688	735	655	594	665	648	617	689	961
Public	76	102	144	152	175	200	162	174	162	134	157	141	129	152	139	152	119	292
Private	208	231	231	324	391	413	411	445	473	554	578	514	465	512	509	465	570	669
Domestic Absorption (C+I)	1,594	1,744	1,840	2,069	2,370	2,491	2,546	2,667	2,698	2,802	3,210	3,196	3,196	3,328	3,253	3,227	3,371	3,716
Public (Cp+Ip)	248	262	303	314	399	379	297	326	337	347	418	473	466	500	485	513	506	611
Private (Cp+Ip)	1,346	1,482	1,538	1,755	1,971	2,112	2,250	2,342	2,361	2,455	2,793	2,723	2,729	2,829	2,768	2,714	2,865	3,106
Exports (X)	256	299	389	437	415	430	516	550	543	672	560	598	519	544	572	564	572	602
Imports (M)	365	397	411	654	609	632	619	652	621	736	867	774	645	663	607	657	709	821
Trade Balance (X-M)	(109)	(98)	(22)	(17)	(194)	(202)	(103)	(102)	(78)	(64)	(307)	(176)	(126)	(119)	(35)	(92)	(137)	(219)
Gross Domestic Savings (GDP-C)	176	235	353	459	372	410	270	517	557	624	429	479	469	546	613	525	562	742
Private Savings (GDP+MFP)-(C+Sg)	94	129	222	292	181	129	65	314	413	493	305	321	378	422	486	421	388	442
Government Savings (Sg)	56	77	88	100	124	209	128	134	69	37	32	36	70	13	52	53	118	251
External Savings, trade gap (X-M)	(109)	(98)	(22)	(17)	(194)	(202)	(103)	(102)	(78)	(64)	(307)	(176)	(126)	(119)	(35)	(92)	(137)	(219)
Net Factor Income Payments (NFP)	-26	-29	-43	-67	-67	-72	-77	-69	-75	-94	-92	-122	-98	-111	-75	-51	-46	-49
Gross National Savings (GDP-C+NFP)	150	206	310	391	305	338	193	448	482	530	337	357	371	455	538	474	516	693
Foreign Savings (NFP+M-OO)	83	69	(21)	(51)	127	130	27	34	3	(30)	215	54	28	8	(40)	41	90	169
GDP Deflator (1970=100)	100	101	109	114	134	157	162	179	181	201	228	241	259	269	322	442	541	622
NFP (Millions of Current RD\$)	(26)	(29)	(43)	(67)	(67)	(72)	(77)	(69)	(75)	(94)	(92)	(122)	(98)	(111)	(75)	(51)	(46)	(49)
Current Savings (Bil. of Current RD\$)	56	78	96	114	167	329	207	240	124	75	73	86	(18)	36	167	234	638	1,562
Macroeconomic Aggregates																		
	% of GDP																	
Consumption (C)	88%	86%	81%	78%	83%	82%	88%	80%	79%	77%	85%	84%	85%	83%	81%	83%	83%	79%
Public	12%	10%	9%	8%	10%	8%	6%	6%	7%	8%	9%	11%	11%	11%	11%	12%	12%	9%
Private	77%	76%	72%	70%	73%	74%	82%	74%	72%	69%	76%	73%	74%	72%	70%	72%	71%	70%
Changes in Inventories																		
Investment (I)	19%	20%	21%	23%	26%	27%	26%	24%	24%	25%	25%	22%	19%	21%	20%	20%	21%	27%
Public	5%	6%	8%	7%	8%	9%	7%	7%	6%	5%	5%	5%	4%	5%	4%	5%	4%	8%
Private	14%	14%	13%	16%	18%	18%	18%	17%	18%	20%	20%	17%	15%	16%	16%	15%	16%	19%
Domestic Absorption (C+I)	107%	106%	101%	101%	109%	109%	114%	104%	103%	102%	111%	106%	104%	104%	101%	103%	104%	106%
Public (Cp+Ip)	17%	16%	17%	15%	18%	17%	13%	13%	13%	14%	16%	15%	16%	15%	16%	16%	16%	17%
Private (Cp+Ip)	91%	90%	85%	86%	91%	92%	100%	91%	90%	90%	96%	90%	89%	89%	85%	87%	89%	89%
Exports (X)	17%	18%	21%	21%	19%	19%	23%	21%	21%	23%	19%	20%	17%	17%	18%	18%	18%	17%
Imports (M)	25%	24%	23%	22%	28%	28%	28%	29%	24%	27%	30%	26%	21%	21%	19%	21%	22%	23%
Trade Balance (X-M)	-7%	-6%	-1%	-1%	-9%	-9%	-5%	-4%	-3%	-2%	-11%	-6%	-4%	-4%	-1%	-3%	-4%	-6%
Gross Domestic Savings (GDP-C)	12%	14%	19%	22%	17%	18%	12%	20%	21%	23%	15%	16%	15%	17%	19%	17%	17%	21%
Private Savings (GDP+MFP)-(C+Sg)	6%	8%	12%	14%	8%	6%	3%	12%	16%	18%	10%	11%	12%	13%	15%	13%	12%	13%
Government Savings (Sg)	4%	5%	5%	5%	6%	9%	6%	5%	3%	1%	1%	1%	0%	0%	2%	2%	4%	7%
External Savings, trade gap (X-M)	-7%	-6%	-1%	-1%	-9%	-9%	-5%	-4%	-3%	-2%	-11%	-6%	-4%	-4%	-1%	-3%	-4%	-6%
Net Factor Income Payments (NFP)	-2%	-2%	-2%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-3%	-4%	-3%	-3%	-2%	-2%	-1%	-1%
Gross National Savings (GDP-C+NFP)	10%	13%	17%	19%	14%	15%	9%	17%	18%	19%	12%	12%	12%	14%	17%	15%	16%	20%
Foreign Savings (NFP+M-OO)	6%	4%	-1%	-2%	6%	6%	1%	1%	0%	-1%	7%	2%	1%	0%	-1%	1%	3%	5%

Sources:  
1) Central Bank of the Dominican Republic.  
2) Oficina Nacional de Presupuesto CONPLAND.  
3) IFS, Yearbook (1989).

File: D-fisc1.  
Table No.3.

Concept/Years	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	
Millions of Current RD\$																			
GDP	1,486	1,667	1,987	2,345	2,926	3,599	3,952	4,587	4,734	5,490	6,631	7,267	7,964	8,623	10,355	13,866	17,501	19,298	
Rate of Growth MI GD	17	10	18	18	38	3	8	16	8	16	2	4	12	12	42	23	53	24	
Central Government Finances																			
Current Revenues	227	259	333	371	482	665	606	649	654	700	908	942	779	944	1,223	2,231	2,240	3,002	
Total Expenditures	255	295	324	378	490	588	560	617	673	975	1,053	1,081	963	1,142	1,281	2,376	2,271	3,233	
Current Expenditures, less interest	171	180	193	216	269	280	335	359	435	557	655	682	709	774	949	1,895	1,601	1,440	
Current Savings	56	78	96	114	167	329	207	240	124	75	73	86	180	36	167	234	638	1,562	
Overall Surplus (Deficit)	(10)	(19)	(7)	(17)	(18)	69	25	13	(45)	(286)	(161)	(155)	(218)	(219)	(86)	(196)	(187)	(86)	
Net Domestic Financing	3	8	8	6	33	(2)	(6)	(6)	(6)	72	67	83	174	150	(26)	(26)	(26)	(53)	
Net Foreign Financing	10	10	1	10	(5)	(5)	(12)	(9)	(11)	211	94	67	51	41	97	227	139	132	
Primary Deficit T-G-i)-Ig	(6)	(8)	37	30	91	219	105	109	68	21	117	108	(41)	39	168	157	404	671	
Seigniorage	1.12	0.57	0.90	0.76	1.29	0.10	0.19	0.35	0.17	0.29	0.03	0.06	0.15	0.14	0.41	0.17	0.30	0.12	
Revenues																			
Taxes	214	244	274	315	422	579	524	575	537	605	696	734	661	782	1,084	2,097	2,082	2,638	
Direct Taxes	54	62	71	75	12	142	140	126	129	151	204	210	205	224	274	356	454	593	
Income Taxes	4	53	63	73	100	127	124	109	111	132	183	188	181	200	248	336	420	500	
Property Taxes	9	9	9	10	12	15	16	18	18	18	21	22	24	25	27	29	34	33	
Indirect Taxes	160	182	203	240	310	438	384	449	408	455	492	525	456	558	810	1,741	1,705	2,111	
Production & Sales Taxes	48	53	58	59	70	95	119	141	144	166	189	238	253	296	414	586	894	738	
International Trade Taxes	107	124	138	164	230	332	255	296	251	276	287	272	185	240	336	1,033	817	1,293	
Non-Tax Revenues	13	14	59	56	60	86	82	74	117	95	211	207	117	162	139	134	158	364	
Income Elasticities of Direct Taxes		0.04	0.03	0.01	-0.11	0.19	0.00	-0.02	0.02	0.03	0.05	0.01	-0.01	0.03	0.03	0.02	0.03	0.08	
Income Elasticities of Indirect Taxes		0.12	0.06	0.10	0.12	0.19	-0.15	0.10	-0.28	0.06	0.03	0.05	-0.10	0.15	0.15	0.27	-0.01	0.23	
Expenditures																			
Current Expenditures	173	189	195	221	275	286	341	368	448	615	720	756	779	871	1,028	1,947	1,624	1,463	
Purchase of Goods & Services	21	23	26	36	54	59	71	75	90	122	127	139	135	163	227	351	297	282	
Interest Payments	2	3	3	4	7	6	9	9	12	58	65	74	69	97	79	52	23	23	
Transfers & Subsidies	41	44	47	52	72	60	94	104	122	149	171	167	167	194	290	342	517	387	
Capital Expenditures	82	112	129	157	215	302	216	249	225	360	333	325	184	271	274	474	618	1,541	
Total Investment	62	86	104	124	123	167	166	181	151	121	135	152	111	131	106	179	234	892	
Capital Transfers	19	26	25	33	93	126	44	65	72	227	188	162	76	114	148	276	336	552	
Financial Investment																			
Central Government Finances Expenditures By Function																			
Millions of Current RD\$																			
General Administration				1	1	1	1												
Defense				35	48	55	64	72	86	101	88	104	106	105	116	159	200	191	
Social Security & Welfare				17	22	38	39	42	51	72	77	88	91	104	119	139	156	146	
Education				59	64	65	70	80	96	132	141	163	172	185	210	253	286	324	
Health				48	60	43	55	60	70	88	104	114	115	127	143	177	203	310	
Housing				16	22	40	46	45	23	25	16	19	21	19	7	19	na	259	
Other				18	24	5	8	7	8	34	63	49	51	73	48	56	26	26	
Economic Development				146	219	317	211	248	277	340	416	436	322	358	488	857	1,062	1,761	
Interest Payments	2	3	3	4	7	6	9	9	12	58	65	74	69	97	79	52	23	23	
Net Items:																			
Overall Surplus (Deficit)	(10)	(19)	(7)	(17)	(18)	69	25	13	(45)	(286)	(161)	(155)	(218)	(219)	(86)	(196)	(187)	(86)	
Capital Expenditures	82	112	129	157	215	302	216	249	225	360	333	325	184	271	274	474	618	1,541	

Sources:

- 1) Central Bank of the Dominican Republic.
- 2) Oficina Nacional de Presupuesto (ONAPRES).
- 3) Secretariado Técnico de la Presidencia y Oficina Nacional de Planificación (ONPLAN).
- 4) IDB Economic and Social Progress in Latin America.
- 5) World Bank, World Tables 1988.
- 6) World Bank (1987) Dominican Republic: An Agenda for Reform.
- 7) IIF (1985) Dominican Republic: Recent Economic Developments.
- 8) IIF, Government Finance Statistics.

Table No.3.b

Concept/Years	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
<b>Central Government Finances</b>																		
<b>% of GDP</b>																		
Current Revenues	15.29	15.49	16.78	15.83	16.49	18.49	15.32	14.15	13.81	12.75	13.69	12.96	9.77	10.95	11.81	16.09	12.80	15.56
Total Expenditures	17.15	17.71	16.30	16.11	16.76	16.33	14.16	13.44	14.22	17.76	15.88	14.87	12.09	13.25	12.37	17.13	12.97	17.06
Current Expenditures, less interest	11.50	10.79	9.70	9.23	9.18	7.77	8.48	7.63	9.19	10.15	9.88	9.38	8.90	8.98	9.16	13.67	9.15	7.46
Current Savings	3.78	4.70	4.83	4.87	5.72	9.14	5.25	5.23	2.63	1.36	1.10	1.19	-0.22	0.41	1.62	1.69	3.65	8.10
Overall Surplus (Deficit)	-0.70	-1.13	-0.37	-0.72	-0.62	1.92	0.64	0.28	-0.94	-5.20	-2.43	-2.13	-2.74	-2.54	-0.83	-1.41	-1.07	-2.00
Net Domestic Borrowing	0.22	0.46	0.38	0.27	1.12	-0.06	-0.14	-0.12	-0.12	1.31	1.01	1.15	2.18	1.74	-0.25	-0.19	-1.51	-0.32
Foreign Borrowing	0.64	0.61	0.07	0.42	-0.16	-0.15	-0.30	-0.19	-0.23	3.84	1.41	0.92	0.64	0.47	0.94	1.64	0.79	0.68
Primary Deficit (-G-i)-Ig	-0.40	-0.48	1.65	1.30	3.11	6.07	2.65	2.37	1.49	0.39	1.77	1.49	-0.52	0.46	1.62	1.14	2.31	3.47
Seigniorage	0.08	0.03	0.05	0.03	0.04	0.00	0.00	0.01	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Revenues</b>																		
<b>% of Current Revenues</b>																		
Taxes	94.41	94.50	94.98	95.37	96.77	95.18	96.59	96.02	95.94	95.79	95.63	95.61	95.66	96.63	97.13	98.50	92.95	87.87
Direct Taxes	23.83	23.83	24.73	22.80	2.71	23.27	25.84	21.06	23.05	23.83	28.04	27.31	29.70	27.70	24.55	16.71	20.29	19.74
Income Taxes	20.04	20.57	21.65	22.01	22.84	20.85	22.84	18.12	19.84	20.92	25.16	24.48	26.24	24.65	22.20	15.80	18.75	16.65
Property Taxes	3.83	3.29	3.12	3.14	2.80	2.42	3.00	2.94	3.22	2.91	2.88	2.84	3.47	3.04	2.38	1.36	1.54	3.09
Indirect Taxes	70.57	70.67	70.25	72.57	71.13	71.91	70.75	74.96	72.89	71.96	67.99	68.30	65.96	68.93	72.58	81.78	76.14	70.33
Production & Sales Taxes	21.23	20.42	19.95	17.72	16.10	15.60	21.84	23.47	25.77	26.30	26.00	30.93	36.64	36.54	37.09	27.54	37.25	24.58
International Trade Taxes	47.09	48.04	47.87	49.65	52.79	54.61	46.95	49.51	44.92	48.65	39.43	35.37	26.79	30.06	30.08	51.33	36.49	49.09
Non-Tax Revenues	5.59	5.50	20.51	16.84	13.83	14.17	15.02	12.39	20.87	15.02	28.99	26.98	16.95	19.98	12.41	6.31	7.05	12.13
<b>Expenditures</b>																		
<b>% of Total Expenditures</b>																		
Current Expenditures	67.86	61.92	60.25	58.44	56.12	48.60	61.47	59.70	66.52	63.06	68.39	69.96	80.85	76.29	80.24	81.95	71.53	44.41
Purchase of Goods & Services	8.36	7.79	8.15	9.63	11.05	10.09	12.76	12.10	13.37	12.51	12.04	12.83	14.02	14.26	17.71	14.79	13.07	8.55
Interest Payments	0.78	1.02	0.77	1.16	1.33	1.04	1.55	1.49	1.84	5.91	6.16	6.88	7.21	8.51	6.17	2.19	1.00	0.70
Transfers & Subsidies	16.01	14.84	14.57	13.74	14.58	10.12	16.80	16.91	18.19	15.28	16.20	15.41	17.38	16.94	22.61	14.38	22.77	11.76
Capital Expenditures	32.14	38.08	39.75	41.56	43.88	51.40	38.53	40.30	33.48	36.94	31.61	30.04	19.15	23.71	21.38	19.96	27.24	46.80
Total Investment	24.37	29.23	32.07	32.87	24.98	28.46	29.60	29.41	22.36	12.46	12.81	14.05	11.50	11.44	8.30	7.53	10.31	27.08
Capital Transfers	7.30	8.84	7.69	8.68	18.90	21.44	7.88	10.51	10.62	23.31	17.83	14.99	7.85	9.99	11.52	11.62	14.82	16.77
Financial Investment																		
<b>Central Government Finances</b>																		
<b>Expenditures By Function</b>																		
<b>% of Total Expenditures</b>																		
General Administration				0.16%	0.12%	0.20%	0.11%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Defense				9.23%	9.81%	9.37%	11.40%	11.72%	12.82%	10.31%	8.36%	9.64%	10.96%	9.22%	9.07%	6.68%	8.79%	5.79%
Social Security & Welfare				4.47%	4.47%	6.45%	6.93%	6.88%	7.62%	7.38%	7.35%	8.11%	9.44%	9.06%	9.28%	5.84%	6.89%	4.44%
Education				15.56%	12.96%	11.11%	12.53%	12.99%	14.21%	13.58%	13.40%	15.12%	17.82%	16.15%	16.37%	10.65%	12.60%	9.84%
Health				12.78%	12.15%	7.28%	9.88%	9.75%	10.43%	9.01%	9.91%	10.54%	11.92%	11.13%	11.12%	7.45%	8.92%	9.40%
Housing				4.24%	4.49%	6.74%	8.17%	7.28%	3.43%	2.51%	1.52%	1.77%	2.19%	1.65%	0.56%	0.79%	ERR	7.86%
Other				4.71%	4.96%	0.80%	1.34%	1.18%	1.19%	3.50%	5.97%	4.54%	5.24%	6.36%	3.72%	2.36%	1.14%	0.78%
Economic Development				38.70%	44.56%	53.88%	37.66%	40.23%	41.22%	34.86%	39.54%	40.30%	33.42%	31.33%	38.09%	36.08%	46.76%	53.46%
Interest Payments	0.78%	1.02%	0.77%	1.16%	1.33%	1.04%	1.55%	1.49%	1.84%	5.91%	6.16%	6.88%	7.21%	8.51%	6.17%	2.19%	1.00%	0.70%
<b>Memoranda:</b>																		
Overall Surplus (Deficit)	-1.08%	-6.37%	-2.25%	-1.45%	-3.67%	11.77%	4.50%	2.09%	-6.64%	-29.28%	-15.23%	-14.32%	-22.66%	-19.16%	-6.06%	-6.01%	-5.89%	-7.51%
Capital Expenditures	32.14%	38.08%	39.75%	41.56%	43.88%	51.40%	38.53%	40.30%	33.48%	36.94%	31.61%	30.04%	19.15%	23.71%	19.76%	19.96%	27.24%	46.80%

Source: Table No.3

File: DR-Flight  
Table No.4

Concept/Year	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
<b>Capital Flight</b>	Millions of US\$																	
1. Direct Investment	58	50	45	55	54	64	60	45	40	17	93	80	(1)	48	69	36	50	89
2. Errors and Omissions	4	(5)	(57)	16	(17)	(4)	33	50	(6)	(73)	29	(28)	(41)	7	31	47	7	21
3. Current Account Balance	(125)	(124)	(48)	(98)	(242)	(75)	(242)	(255)	(975)	(331)	(670)	(389)	(443)	(418)	(163)	(108)	(217)	(345)
4. Change in L-T External Debt Disbursement		11	5	1	75	6	31	38	(4)	128	130	(182)	156	(202)	57	(93)	(61)	(43)
5. Net Private Short-term Capital	35	41	14	20	87	26	17	(21)	35	156	71	(4)	(78)	124				
6. Gross Banks' Assets	7	11	9	8	10	17	36	40	25	57	127	273	292	43	99	123	172	124
Cuddington Measurement (2 + 5)	39	36	(43)	36	70	22	49	29	29	88	99	(32)	(119)	132				
Dooley Measurement (4 - 3 + 5)		94	39	79	231	55	256	324	336	303	729	211	676	91				
*Morgan' Measurement ((1 + 4) - 3 + 6)		174	88	145	361	127	297	308	386	420	765	15	305	221	230	(38)	24	269
Private Nonbank Deposits in all Foreign Banks												710	660	380	860	830	690	840
Proportion of Outstanding Long-Term Debt												43%	34%	16%	34%	29%	23%	26%

Sources: World Bank, World Tables (1989).  
 IIF, International Financial Statistics Yearbook (1989).

Table No.4.a (Average)

Concept/Year	1970-79	1980-87	1970-73	1974-77	1978-81	1982-85	1986-87
<b>Capital Flight</b>	Millions of US\$						
1. Direct Investment	49	58	52	56	57	38	70
2. Errors and Omissions	(6)	9	(11)	16	(20)	11	14
3. Current Account Balance	(192)	(343)	(93)	(206)	(441)	(283)	(276)
4. Change in L-T External Debt Disbursement		(26)		38	18	(12)	(52)
5. Net Private Short-term Capital	41		27	27	65		
6. Gross Banks' Assets	22	152	9	26	121	129	148
Cuddington Measurement (2 + 5)	35	20	17	42	45		
Dooley Measurement (4 - 3 + 5)				216	243		
*Morgan' Measurement ((1 + 4) - 3 + 6)		224		273	279	180	146
Private Nonbank Deposits in all Foreign Banks						683	765
Proportion of Outstanding Long-Term Debt						28%	24%

Source: Table No.4



Table No.5.a

Concept/Years	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
	(Percent of GDP)																	
Investment	19.1	17.5	19.7	22.1	23.3	24.5	22.3	21.8	23.9	25.4	24.9	23.4	20.0	21.2	21.3	19.6	18.1	25.8
Public	5.1	7.2	8.1	7.3	7.7	9.5	7.4	7.5	6.3	4.6	5.2	4.5	3.6	4.0	3.4	4.8	4.5	7.6
Private	14.0	10.3	11.6	14.8	15.7	15.0	14.9	14.3	17.6	20.8	19.7	18.9	16.5	17.2	17.9	14.8	13.6	18.3
Savings	10.4	9.1	17.5	19.4	15.5	23.9	16.9	16.3	15.2	17.4	12.4	17.8	12.7	14.9	15.9	14.1	14.2	18.2
Public	4.4	5.9	7.9	6.6	5.3	11.3	7.5	6.8	3.1	-0.6	-0.8	-1.6	-3.4	-1.0	-3.3	0.1	0.4	3.3
Private	6.0	3.2	9.7	12.8	10.2	12.6	9.4	9.5	12.1	18.0	13.1	19.5	16.1	15.9	19.2	14.0	13.9	14.9
Internal Finance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public	-1.6	-0.9	-1.5	-1.8	0.6	-2.5	0.0	0.6	2.6	2.3	1.5	4.7	4.8	3.3	3.9	-2.7	3.2	3.7
Private	1.6	0.9	1.5	1.8	-0.6	2.5	0.0	-0.6	-2.6	-2.3	-1.5	-4.7	-4.8	-3.3	-3.9	2.7	-3.2	-3.7
External Finance	8.8	8.4	2.2	2.7	7.8	0.6	5.4	5.5	8.7	8.0	12.5	5.6	7.3	6.3	5.4	5.5	3.8	7.6
Public	2.3	2.2	1.7	2.5	1.8	0.7	-0.1	0.1	0.5	2.8	4.5	1.5	2.2	1.7	2.9	7.5	0.9	0.6
Private	6.5	6.2	0.4	0.2	6.0	-0.1	5.5	5.4	8.1	5.1	8.0	4.1	5.2	4.5	2.6	-2.0	2.9	7.0
Exports	19.5	19.6	22.7	24.5	27.9	32.5	25.1	24.0	21.5	25.0	24.0	26.4	20.8	22.5	36.5	29.6	23.2	26.8
Imports	28.2	28.0	24.9	27.2	35.7	33.1	30.5	29.5	30.2	33.0	36.5	32.0	28.1	28.7	41.9	35.1	27.0	34.5
Public deficit/ surplus	-0.7	-1.3	-0.3	-0.8	-2.4	1.8	0.1	-0.7	-3.1	-5.1	-6.0	-6.2	-7.0	-5.0	-6.7	-4.8	-4.2	-4.3

Source: Table No.5

Table No.5.b

Concept/Years	1970-79	1980-87	1970-73	1974-77	1978-81	1982-85	1986-87
Investment	22.0	21.8	19.6	23.0	24.4	20.5	22.0
Public	7.1	4.7	7.0	8.0	5.1	3.9	6.0
Private	14.9	17.1	12.7	15.0	19.2	16.6	15.9
Savings	16.2	15.0	14.1	18.2	15.7	14.4	16.2
Public	5.8	-0.8	6.2	7.7	0.0	-1.9	1.8
Private	10.3	15.8	7.9	10.4	15.7	16.3	14.4
Internal Finance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public	-0.2	2.8	-1.4	-0.3	2.8	2.3	3.4
Private	0.2	-2.8	1.4	0.3	-2.8	-2.3	-3.4
External Finance	5.8	6.8	5.5	4.8	8.7	6.1	5.7
Public	1.5	2.7	2.2	0.6	2.3	3.6	0.8
Private	4.3	4.0	3.3	4.2	6.4	2.6	5.0
Exports	24.2	26.2	21.6	27.4	24.2	27.3	25.0
Imports	30.0	33.0	27.1	32.2	32.9	33.5	30.7
Public deficit/ surplus	-1.2	-5.5	-0.7	-0.3	-5.1	-5.9	-4.2

Source: Table No.5.a