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# Taxing times: taxation, divided societies and the informal economy in Northern Nigeria

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## **Taxing Times: Taxation, Divided Societies and the Informal Economy in Northern Nigeria**

### **Introduction**

In countries struggling with high levels of poverty and informality, taxing the informal economy has been advocated as a novel means of improving accountability between state and society. Across much of the global south, more than two-thirds of the non-agricultural labour force operate outside the formal economy, improvising livelihoods and collective services beyond the regulatory framework of the state (Bacchetta, Ernst and Bustamante 2009; International Labour Office 2013). Not only does this undermine state authority, but states are deprived of tax revenue to provide decent services for their populations. As Jutting and de Laiglesia (2009:19) (2009:19) point out, however, 'the prevalence of informal employment is not only a fiscal issue: it can be interpreted as a sign of a dysfunctional social contract between the state and its citizens.' While a healthy social contract is characterised by mutual accountability in which societies pay their taxes and states provide public services, large informal economies reflect a vicious circle involving the withdrawal of society from fiscal obligations, and a failure of public provisioning on the part of the state.

New perspectives argue that bringing the informal economy into the tax net would not only add to the public purse, but would improve political engagement between state and society through tax bargaining and demands for accountable use of public funds. By shifting popular incentives from 'exit' to 'voice', taxation offers new possibilities for rekindling the social contract between states and informalised societies (Joshi, Prichard and Heady 2014; Perry et al. 2007). The link between taxation of informal enterprises and improved governance has been described in a recent IMF working paper as one of the most significant 'big ideas' in the contemporary literature on taxation and development (Keen 2012:14-15). It has shifted debates about the role of the informal economy from state failure to state building and offers profound new insights into the role of taxation in contemporary development processes.

To put these ideas to the test, I will explore the implications of taxing the informal economy in the context of Nigeria, home to one of Africa's largest and most complex informal economies. At first glance, Nigeria may seem a poor candidate for tax-based initiatives to restore the social contract. In an economy in which oil still accounts for over 70 per cent of public revenue, and where 65 per cent of the non-agricultural labour force earn their livelihoods informally, taxation is at once a low priority and a demanding administrative task (Bodea and LeBas 2013). The complications of repairing the social contract are further compounded by mounting problems of ethnic conflict and religious extremism across the country, which have claimed many thousands of lives in the past two decades. The brutal Islamic insurgency raging in the north of the country under the banner of Boko Haram is only the latest in a string of ongoing conflicts, including a decade of religious and ethnic violence in and around Plateau State, and simmering tensions in the Niger Delta (Meagher 2013b; Mustapha 2014; Ukiwo 2003). Using taxation to bridge these ethnic and religious tensions seems far-fetched.

Yet, surprisingly, Nigeria has become something of a poster child for the ability of taxation to foster more accountable state-society relations (Bodea and LeBas 2013; de Gramont 2015; Elemo 2013; Gatt 2013). Recent initiatives by the government of the southern Nigerian State of Lagos, led by the trailblazing former Governor Fashola, have raised the share of taxation to over 50 per cent of state revenue, accompanied by significant improvements in service provision and popular legitimacy (Egene 2013; Elemo 2013). However, bringing the informal economy into the tax net has proven

more difficult. Owing to a combination of popular resistance and complex logistics, tax officials have still not managed to collect enough revenue from the informal sector to cover the costs of collection, let alone to enhance public revenue and service provision (de Gramont 2015). Even in the context of an overall success story, the Lagos State government's efforts to tax the informal economy may tell us as much about the limits of taxation's governance effects as about their potential.

Shifting attention to northern Nigeria, where more typical conditions of weak governance and low tax effort apply, I will examine the potential and the limitations of taxation for rebuilding the social contract in a developing society. Drawing on fieldwork in the northern Nigerian cities of Kano and Kaduna, where the benefits of oil wealth are spread more thinly, I will consider how taxing informal activities affects inter-group and state-society relations in a context of poverty and ethno-religious tensions. Interview and survey methods were used to engage with a range of common informal activities, exploring levels of and attitudes toward taxation and the impact of taxation on state-citizen relations in a divided society. While attending to the potential of taxation to enhance governance, I also explore its limitations for building public accountability in a context of serious inequalities in economic and social power. Given the low revenue potential of informal actors, their significant internal divisions, and the predominance of identity-based politics, I suggest that efforts to tax the informal economy may contribute little to state revenue and potentially exert perverse effects on governance.

In the following section I will present three key blindspots in the new literature on taxation and governance which have tended to gloss over the difficulties of using taxation to rebuild accountability in highly informalised societies. These are: a) the use of historically inappropriate models of the social contract, b) a propensity to 'fiscal essentialism' in the definition of informality, and c) a monolithic view of the informal economy. I will then provide an outline of the historical role of taxation in shaping relations between the state and society in northern and southern Nigeria, followed by an outline of the research methodology for studying taxation attitudes in selected informal enterprises in the northern Nigerian cities of Kano and Kaduna. This will set the scene for an analysis of taxation of informal actors in the study cities, followed by a quantitative analysis of how religion, regional identity and gender affect experiences of taxation among informal actors. A final section will draw conclusions about the implications of taxing the informal economy for state-society relations and political voice in divided societies.

### **Interrogating the New Fiscal Sociology**

New thinking about taxing the informal economy has emerged from what Michael Keen calls 'the New Fiscal Sociology', which links the traditionally technical issue of taxation to wider dynamics of politics and governance (Keen 2012; Martin, Mehrotra and Prasad 2009). Analyses centre on the idea that taxing the informal economy would improve revenue generation and state-society accountability, with the effect of reducing informality, enhancing growth and catalysing improved governance in developing countries (Brautigam, Fjeldstad and Moore 2008; Joshi and Aye 2008; Joshi, Prichard and Heady 2014; Perry et al. 2007). New Fiscal Sociology approaches represents a significant reversal of earlier views among development economists that taxation undermines growth and exacerbates informality through increased smuggling and black markets (Collier 1997; Fjeldstad 2001; World Bank 1981). However, growing awareness of the sheer size of informal economies in contemporary developing countries has provoked a rethink. A prominent World Bank study on informality in Latin America observes that '[r]ecent mainstream literature is less pessimistic

about the effect of taxes (and therefore the size of government) on growth' (Perry et al. 2007:244), while Joshi & Aye (2008:186) highlight the potential growth and revenue gains of integrating large informal economies into the tax net.

Beyond the economic benefits, a more political dimension to the New Fiscal Sociology concentrates on the importance of freeing informal actors from what Judith Tendler (2002) refers to as 'the devil's deal' of lax tax enforcement and unaccountable governance (Joshi, Prichard and Heady 2014; Lough, Mallett and Harvey 2013:20; Tendler 2002; Titeca and Kimanuka 2012). Taxation is viewed as a means of empowering informal actors through tax bargaining with the state, leading to gains in service provision and public accountability. As Joshi and Aye (2008:187) explain, 'Broadening the tax base and developing a 'culture of compliance' can achieve more than simply increasing revenues; it can be a way of re-engaging citizens with the state.'

Despite a compelling convergence of arguments about gains in revenue, growth and governance, the New Fiscal Sociology reveals a number of blindspots in its understanding of the developmental impact of taxing the informal economy. The first relates to the use of inappropriate historical models drawn largely from early modern Europe, which gloss over significant differences in the relation between taxation and state formation in Africa. The second relates to the problem of 'fiscal essentialism', expressed in the assumption that '...exclusion from the tax net is a defining characteristic of informality' (Joshi and Aye 2008:183). This tends to blind analyses to the multiple burdens of formal as well as informal taxation already borne by informal actors, and the failure of existing tax burdens to deliver the promised improvements in governance. A third blindspot involves the generally monolithic view of the informal economy, which glosses over differences of class, gender, ethnicity, religion, age and occupation, and the ways in which these shape differences in power and political leverage in relations between informal actors and the state. Exploring these lacunae offers to improve our theoretical understanding and research perspectives on the governance implications of taxing the informal economy in contemporary Africa.

### *Inappropriate Historical Models*

The New Fiscal Sociology draws on Tilly's analysis of the role of taxation in state formation in early modern Europe (Brautigam, Fjeldstad and Moore 2008; Joshi, Prichard and Heady 2014). However, a number of scholars of taxation and governance in various parts of Africa have drawn attention to the intrinsic differences between the European and African experiences of taxation (Fjeldstad and Therkildsen 2008; Gardner 2012; Guyer 1994; Nugent 2010). In a well-known study of taxation in Nigeria, Jane Guyer (1994:71) highlights the need to consider the 'historical sequencing' of the relationship between taxation and political accountability in specific contexts, rather than focusing too narrowly on the Anglo-European model. Rather than assuming a positive outcome of struggles, the issue is whether over time taxation has been associated with building or undermining accountable state-society relations.

A closer look at the early modern history of African nation states suggests that direct taxation has a historical association with oppression rather than political accountability. There is widespread historical evidence that during the colonial period, taxation was less about service provision and political voice than about covering the costs of administration and extracting labour and cashcrops from the African population (Fjeldstad and Therkildsen 2008; Gardner 2012:113, 121). Leah Gardner's (2013:224) meticulous assessment of taxation in colonial Africa contends that 'colonial fiscal systems aimed to maintain order at the lowest possible cost, rather than encourage development'. Colonial tax systems tended to focus on revenue extraction rather than local needs,

often provoking extreme hardship and tax evasion, which was routinely countered with prosecution and extreme brutality rather than tax bargaining (Falola 2009; Gardner 2012). In colonial Tanzania, Fjeldstad and Therkildsen (2008:126) point out, 'Many local governments relied heavily on simple physical coercion to collect the poll tax, including roadblocks manned by the local militia or police.... The use of coercion was so pronounced and detested that people went to extremes to evade the tax... .' They agree that the political significance of taxation in Africa is greater than the revenue it yields, but demonstrate that direct taxation has served as a basis of resentment and evasion rather than fostering a social contract.

The extreme inequity of colonial taxation systems compounded their oppressive character. As Gardner (2012: 92) documents, Africans paid the highest taxes, and Europeans and Asian communities paid lower taxes while enjoying greater rights and services. '[T]hose least able to protest faced increased pressure to pay more even as their means declined. Settler communities, for example, were better able to act collectively to influence the policy-making process and thereby avoid additional taxation.' These inequities highlight the importance of power relations as well as taxation in shaping the social contract. Racially segregated colonial legal systems severely restricted the rights of Africans to demand accountability regardless of the level of tax they paid, prompting the non-indigenous Somali community in Kenya to lobby for recognition as Asians in order to improve their rights (Gardner 2012:108). A rising tide of tax protests during the late colonial period contributed to the end of colonial rule: 'the relationship between taxpayers and the colonial state was central to the deteriorating relationships between colonial administrations and those they were trying to govern; this deterioration would ultimately lead to the Empire's collapse' (Gardner 2012:95-6). Far from fostering a social contract, Africans' experience of taxation under colonialism led to the termination of colonial state-society relations.

Owing to negative colonial experiences of taxation, political autonomy and democracy in many African countries has been associated with the abolition of direct taxation. In southern Nigeria, head taxes were abolished in the 1970s as oil wealth opened up other sources of revenue, and in Tanzania and Uganda, the poll tax was abolished in the 1990s amid the rising tide of democratization (Guyer 1994; Fjeldstad and Therkildsen 2008; Falola 2009:87). In the poor societies of post-independence Africa, the idea of a social contract has rested less on Fabian notions of citizens contributing to the state than on the ideal of a 'developmental state' investing the national wealth to improve the lives of its citizens (Mustapha and Whitfield 2009).

From the 1980s, Paul Nugent's (2010:57) nuanced history of state-society relations in West Africa considers how economic crisis and market reforms eviscerated the emerging post-colonial social contract, leaving an expanding swathe of the population to 'fend for themselves' through informal forms of livelihood and service provision. Others suggest that expanding informal economies in the era of structural adjustment represented an act of political voice in which African populations chose to 'vote with their feet' in the face of defaulting states (Lemarchand 1988; Tripp 1997). Either way, research from East, Central and West Africa indicates that in the face of ongoing poverty and weak governance, taxation has been perceived by the poor and vulnerable as a source of oppression rather than accountability (Carroll 2011; Fjeldstad 2001; Fjeldstad and Therkildsen 2008; Roitman 2007; Titeca and Kimanuka 2012). Rather than relying on European models of taxation and state formation, strategies for rebuilding the social contract in Africa require a closer look at how fiscal relations during previous eras have shaped embedded understandings of governance and accountability.

### *Fiscal Essentialism*

There is an implicit assumption in the New Fiscal Sociology that the informal economy is untaxed by definition. Joshi and Aye (2008:183) bluntly state that ‘...exclusion from the tax net is a defining characteristic of informality’, while others specifically equate taxation with formalization (Perry et al. 2007; Joshi et al. 2014). However, there is widespread evidence in the wider literature on taxation and informality that informal actors across Africa contribute to public revenue through a range of formal as well as informal taxes, challenging the view that informal actors are tax evaders. In many African countries, informality is less about taxation than about being unregistered, lacking key licences, or falling below fiscal thresholds of formality (Meagher 2013a; Pimhidzai and Fox 2013). In Ghana, Nigeria and Uganda, informal firms have been shown to contribute routinely to formal sector taxes, particularly at the local government level, through the payment of licence fees, market dues and other gazetted levies (Carroll 2011; Meagher 2013a; Pimhidzai and Fox 2013). Moreover, the widespread use of flat-rate taxes to overcome problems of tax assessment tends to create a regressive tax structure that falls hardest on the poorest firms. In Uganda, informal firms were found to pay a mean formal tax rate of 7 per cent of their income, with a significant segment of poorer actors paying as much as 23 per cent (Pimhidzai and Fox 2010:14, 20). The authors comment that a significant share of ‘the tax burden at the local government level... is now borne by micro-entrepreneurs who pay multiple taxes to local governments’.

Moreover, informal actors contribute considerable resources outside the formal tax system for the provision of public goods. A number of studies have documented the role of informal taxation, including communal levies, tithes, and even extortion by public officials, in financing public goods and public sector salaries (Meagher 2013a; Olken and Singhal 2011; Pimhidzai and Fox 2013; Prud’homme 1992). Prud’homme and others have argued that in African countries, informal taxes exceed formal tax payments, adding significantly to the tax burden of the poor (Guyer 1994:67; Juul 2006:827; Olken and Singhal 2011:2). Olken and Singhal make a similar observation, pointing out that ‘estimates of formal taxes may understate the true tax burden faced by households. In particular, the conventional wisdom that poor households and households in rural areas do not generally pay taxes other than VAT may be misleading’ (Olken and Singhal 2011:26). Informal taxes can be divided into two broad categories: informal communal self-help, and corrupt payments to officials (Prud’homme 1992; Lough et al. 2013). Some analyses of communal levies have drawn attention to their efficiency in assessing and collecting payments, as well as highlighting their effectiveness in non-state service provision and their high levels of legitimacy (Olken and Singhal 2011:20; ). Conversely, others have suggested that communal levies may crowd out formal taxation, and are sometimes punitively levied on outgroups (Bodea and Le Bas 2013:3; Lough et al. 2013:28; Juul 2006).

While the focus on communal taxation tends to exclude bribery and corruption, research shows that corrupt payments to officials constitute a significant public levy on informal actors, as well as augmenting low public sector salaries (Prud’homme 1992; Lough et al. 2013; Titeca and Kimanuka 2013). In the DRC, Titeca and Kimanuka (2013) point to a ‘moral economy’ of corruption, in which illicit payments are found to be more accommodating and ‘legible’ to poor traders than formal sector levies. Conversely, Oxfam (2012) contends that illicit taxation carried out by militias, soldiers and even local chiefs constitutes an extortionate threat to local livelihoods, representing a ‘roving bandit’ scenario rather than a ‘moral economy’. Whether or not illicit payments are viewed as fostering or undermining a social contract, they represent a significant transfer of resources from the informal economy to state officials.

Looking beyond the blinkers of fiscal essentialism, it is clear that the question is not whether informal actors pay tax, but to whom, and under what conditions (Juul 2006:828). On the one hand, there is a need for closer attention to the true tax burden already borne by informal actors. Increasing taxes on the informal economy without adequate attention to their existing official as well as unofficial fiscal burden may have negative consequences for growth and government revenue. As Pimhidzai and Fox (2013:21) suggest in the case of Uganda, 'By increasing the risk of [small firm] failure, the same strategy meant to raise tax revenues would most likely narrow the tax base leading to lower revenues instead'. On the other hand, the fact that many informal actors already pay formal sector taxes and still receive very little in return, raises questions about the role of taxation in building a social contract. Most informal actors already have a vivid and on-going experience of taxation as a 'one way street' centred on resource extraction, with little evidence that paying formal taxes to the state fosters greater public accountability (Titeca and Kimanuka 2013; Pimhidzai and Fox 2013). From the perspective of the New Fiscal Sociology, this raises the question of why existing levels of formal taxation of the informal economy have not already set in motion the virtuous cycle of improved governance and service provision.

#### *Monolithic View of the Informal Economy*

The New Fiscal Sociology tends to treat the informal economy as a monolithic sector, evenly affected by taxation and capable of collective negotiation with the state. **More recent research by Joshi et al. (2014:1342) and Prichard and van den Boogaard {Prichard, 2015 #1225} nods in the direction of gender and other social divisions, but strips them of context or eliminates them from the analysis by saying that too little is known about their effects on tax bargaining.** The reality is that there is considerable evidence regarding the differential effects of taxation on various groups within the informal economy. Studies show that taxation tends to fall hardest on the weakest groups, particularly women, migrants and the poor (Carroll 2011; Fjeldstadt 2001; Lough et al. 2013:16; Juul 2006; Meagher 2013). In Ghana – generally regarded as a success story of informal sector taxation -- Carroll (2011:10-11) notes that poor women traders are particularly vulnerable to coercion and extortion by tax officials. In studies of Nigeria, Senegal, and Tanzania, migrants have also been found to be particularly vulnerable to high levels of formal as well as informal taxation, owing to their limited rights and weak political leverage (Juul 2006; Fjeldstadt 2001; Meagher 2013). As Fjeldstadt (2001:298-9) explains, it is 'more convenient for the tax collector at the village level... who lives in the village and is nominated to his position by the Village Council, to target migrants rather than people from the area who may be his relatives or friends, or have close links to local politicians and authorities.'

The lack of attention to differences within the informal economy tends to blur the realities of how differential power relations shape the interaction of informal actors with the state. Indeed, Fjeldstadt (2001:303) notes that greater attention is needed to the actual mechanisms by which informal actors are expected to hold the state to account. While facing high levels of formal as well as informal taxation, women and poor migrants are also in the weakest position to hold the state to account. Conversely, locals are better able to use their social position to reduce or evade taxes, particularly in the context of democratization (Juul 2006:835; Fjeldstadt 2001). Within this context, Juul (2006:845) claims that 'formal taxation bears only scant relation to any particular form of representation or control over the elite'. On the contrary, she finds that the dynamics of local level taxation tend to reinforce the importance of client ties as locals seek to evade taxation and better off migrants seek to curry favour by paying taxes.

Differential power relations within the informal economy are also shaped by different capacities for collective action among groups of informal actors. Informal enterprise associations, which are crucial mechanisms of collective action and political leverage within the informal economy, are not evenly distributed across societies. Nugent (2010) and others highlight the importance of powerful religious brotherhoods, chiefly institutions and occupational associations in Ghana and Senegal in enforcing a measure of accountability in the relations between informal citizens and the state (Joshi and Aye 2008; Thioub, Diop and Boone 1998). Conversely, poor informal actors who lack cohesive organizations, such as poor women traders in the DRC, Ghana or Peru, leave informal actors powerless to bargain over taxation or service delivery (Carroll 2011; Titeca and Kimanuka 2013:37; Joshi and Aye 2008). These observations highlight the need for greater attention to how taxation and governance outcomes are shaped by differential power relations and varied capacities for collective organization among different ethnic, occupational and socio-economic groups.

### *Rethinking Taxation and the Informal Economy*

The New Fiscal Sociology has certainly widened debates about the role of taxation in addressing problems of governance and economic informality. However, Michael Keen (2012:23) emphasises the need to move beyond big ideas to a greater focus on firm evidence and careful reasoning. The blindspots discussed above open three new questions about how taxing the informal economy shapes state-society relations. These will frame a grounded investigation of the impact of taxation on governance within the informal economy in northern Nigeria. The first question focuses on how the specific history of northern Nigerian society has shaped attitudes to taxation among informal firms. The second examines the effects of formal and informal taxation of informal enterprises on state-society relations. The third question considers whether social divisions within the informal economy affect the impact of taxation on political voice within the informal economy. These questions allow a closer look at how the specific history, fiscal relations and social composition of the informal sector shape the effect of taxation on governance outcomes.

### **Taxation and Informality in Northern Nigeria: History and Methods**

A consideration of the history of taxation in Nigeria reveals that its effect on state-society relations differs importantly from prevailing Euro-centric models. It also reveals significant differences among African societies in how taxation affects the social contract. Distinctive experiences are based on differences in pre-colonial institutional legacies, experiences of taxation under colonialism, and the impact of poverty and politics on the legitimacy of taxation in contemporary times. Contrasting histories of how taxation has shaped state-society relations in northern and southern Nigeria provide an illuminating background against which to assess the contemporary empirical realities of taxation, informality and political accountability in northern Nigeria.

### ***The History of Taxation in Northern and Southern Nigeria***

Northern Nigeria has a poor reputation for tax performance in contemporary times, but a recent study found that the north's majority Hausa ethnic group has a stronger sense of tax morale than other Nigerian ethnic groups (Bodea and LeBas 2013). While contemporary governance quality is generally poor in the Hausa states of Nigeria, a strong ethic of tax compliance can be traced to the extensive taxation systems of the pre-colonial Hausa-Fulani Emirates of northern Nigeria, which were subsequently incorporated into the fiscal arrangements of colonial rule. In pre-colonial times, taxes were embedded in Islamic religious obligations of 'zakkat', and were collected through the pre-colonial state machinery (Okauru 2012; Shenton and Lennihan 1981; Watts 1983). Collection systems were embedded in local occupational structures, and were sensitive to the instability of popular livelihoods in the drought-prone environment of the northern Nigerian savannah, serving to

finance redistributive arrangements of public food relief in times of famine. As Michael Watts (1983:69) observed in his incisive history of the northern Nigerian peasantry, 'What is certain....is that taxation was ideologically legitimate.'

Owing to the lack of significant opportunities for raising revenue in land-locked Northern Nigeria, the colonial government continued the practice of direct taxation. By adapting the pre-existing taxation system, colonial direct taxation was introduced in Northern Nigeria without significant incident from 1904 (Hogendorn 1975; Okauru 2012; Shenton and Lennihan 1981; Watts 1983). At the time of the unification of Northern and Southern Nigeria in 1914, direct taxes constituted the bulk of government revenue in Northern Nigeria, while Southern Nigeria remained dependent on trade taxes (Smith 1979:46; Uche and Uche 2004:8; Watts 1983:181-2).

In contrast to experiences in Northern Nigeria, efforts to introduce direct taxation in Southern Nigeria in 1916 and 1927 were highly contested, triggering a series of major tax revolts, culminating in the Aba Women's War of 1929 (Falola 2009:78; Okauru 2012:87; Hogendorn 1975:303). While southern Nigerian societies also had pre-existing traditions of taxation through a range of tolls, trade taxes and tributes, colonial direct taxation was met with deep-seated popular resistance. On the one hand, the form and collection system deviated from local practice, and had a cultural association with the redemption of slaves. On the other hand, yet another payment to the colonial government on top of existing forms of extraction, combined with the unfamiliar and often brutal modes of collection, and the depressed economic conditions of the inter-war period made direct taxation even more unbearable (Falola 2009:85, 99-105; Okuaru 2012:87). Far from engaging in tax bargaining, anti-tax riots were brutally suppressed by military and police action in which hundreds were killed, property burnt and tax offenders imprisoned, entrenching resentment against the colonial state (Falola 2009; Gardner 2012).

In Northern Nigeria as well, despite a socially embedded 'tax morale' and the use of legitimate local fiscal institutions, taxation failed to cement a social contract between the local population and the colonial state. Colonial efforts to rationalise and modernise taxation rapidly undermined the local legitimacy of the tax system. Increased revenue demands to fund the colonial administration, along with the monetization and reorganization of taxation 'as a stimulus to production' created unsustainable hardship among the rural population (Jumare 1998; Watts 1983). Watts (1983:258) notes that, 'In sharp contrast to the precolonial Caliphal revenue system, colonial taxes were regular, predictable, and above all rigid. This fiscal inflexibility (largely in response to the high proportion of administrative fixed costs, particularly in European salaries) took no account of the vagaries of Hausa life, such as late rains, locusts, price variability, disease and personal calamity.'

Tensions between tax systems, commodity prices and variable dryland rainfall generated tax rates of 40 per cent or more on poor rural producers during bad agricultural years (Shenton and Lennihan 1981:60; Watts 1983:261). Coupled with the detachment of taxation from public grain relief, the result was mounting poverty, indebtedness, and increased frequency of famines. Popular resistance was expressed through widespread migration to evade colonial taxes, owing to a perception of the new tax arrangements as 'unfair and Islamically unacceptable' (Jumare 1998:94; see also Watts 1983:259). After Nigerian independence in 1960, popular resentment against direct taxation in the north and south of the country led to its abolition by the Nigerian Federal Government, although a range of local government taxes on markets, motorparks and informal businesses remained in place (Falola 2009:87; Fourchard 2011:48-9; Gardner 2012; Meagher 2010; Meagher 2013a).

Contemporary efforts to increase tax revenue have witnessed a reversal in the role of direct taxation in northern and southern Nigeria. A recent study of tax effort in Lagos state in the south-west, and Kano state in northern Nigeria<sup>1</sup> highlights the inversion of regional tax performance (Elemo 2013). In 2013, Lagos State generated 53 per cent of its N500 billion state budget from taxes on citizens, while Kano only managed to generate 13 per cent of a state budget less than half as large. Poor tax performance in Kano is attributed to disinterest on the part of local politicians, who are described as 'indifferent and adversarial' in their attitude to improved taxation. This is contrasted with the political leadership and cooperative attitudes of Lagos politicians, whose coordinated campaign of administrative reforms, public education and improvements in public service provision have driven a rapid improvement in tax performance and voluntary compliance on the part of citizens.

What is often ignored is the role of differences in economic conditions in shaping regional tax performance. In the north, the interplay of Islam and indirect rule have left a heavy legacy of poverty, illiteracy, and widespread informality, fostering a heavy dependence on central government transfers (Meagher 2013b; Meagher 2015). Poverty levels in northern Nigeria are 40 per cent higher than in the high performing south-western states and unemployment is three times as high, making direct taxation economically and politically unattractive to northern politicians and citizens alike. Conversely, enthusiasts of the 'Lagos Miracle' tend to ignore the persistent difficulty faced by Lagos officials in taxing informal actors, even in the face of capable governance, improved public services and catchy jingles (de Gramont 2015; Vanguard 2013). Despite efforts to simplify registration, to link up with informal enterprise associations and to locate tax stations within open markets, the Lagos State Commissioner for Finance has complained that less than one-third of informal taxpayers in the state had registered by 2013 (Vanguard 2013). To better understand the governance effects of taxing the informal economy, we must take a closer look at the specific relations of taxation and informality in particular contexts, focusing here on the poorer and more socially divided context of northern Nigeria.

### ***Methodology***

The issues of taxation and political voice in the informal economy were explored in the context of fieldwork conducted in the major northern Nigerian cities of Kano and Kaduna in October and November 2011, with return visits in 2014. Both are large cities of over one million inhabitants with large Muslim populations dominated by the Hausa-Fulani ethnic group. Muslims account for about 85 per cent of the population in Kano, with a small Christian minority made up largely of entrepreneurial Igbo migrants from southern Nigeria. By contrast, Kaduna's population is more polarised, with a large Christian minority amounting to some 40 per cent of the population, most of whom are state indigenes rather than migrants. Common informal activities were selected to ensure a mix of economic, religious, ethnic and gender categories within the informal economy. The activities selected were tailoring, tyre trading, butchers, pepper soup producers and motorcycle taxis. Data was collected through interviews with 12 informal enterprise associations and 25 rank and file operators across the various activities, followed by a survey of 105 randomly selected informal operators in these various activities across the two cities. Respondents were interviewed about levels of and attitudes to taxation, participation in local associations and attitudes to associational fees, and their experience of taxation as a source of political accountability.

The distribution of identity categories across the sample is necessarily shaped by the specific activities selected. Table 1 reveals a relatively uniform distribution of social groups across the two cities, as well as illustrating some important wider realities. Non-indigenes are over-represented within the informal economy in both cities. Conversely, Christians are over-represented in Kano and

under-represented in Kaduna, where indigenous Christians are less noted for entrepreneurial skills. Women average only about 10 per cent of informal actors in the sample, owing to the nature of the activities chosen and the complications of researching the activities of secluded northern women which are carried out inside their homes (Zakaria 2001).<sup>2</sup> Focusing on informal activities operating in the public domain which have been subject to formal taxes as well as bribes for decades, operators were found to be quite outspoken about taxation issues. Concentrating on the organization of collection, bargaining strategies and attitudes, I tapped into issues of popular grievance that elicited detailed responses that were triangulated via multiple interviews and cross-checked with tax officials.

**Table 1: Distribution of Informal Actors by Social Category in Kano and Kaduna (% of Informal Actors)**

City	Indigene	Non-Indigene	Southern Nigerian Migrants	Christians	Muslims	Women
Kano	51.7	48.3	30.0	26.7	73.3	8.3
Kaduna	46.0	54.0	18.0	24.0	76.0	12.0
Average	49.1	50.9	24.5	25.5	74.5	10.0

Source: Fieldwork

## **Formal and Informal Taxation in Northern Nigeria**

### ***Formal Taxation of Informal Actors***

Examining the implications for the social contract of taxing the informal economy in northern Nigeria requires an assessment of the nature of taxation already faced by informal actors, and its existing effect on state-society relations. The northern Nigerian informal economy has been taxed at the Local Government level since the 1950s (Gardner 2012; Fourchard 2011). In Nigeria, Local Government officers have a tax schedule for informal businesses which is drawn up and subjected to periodic increases in tax rates (Meagher 2010a; Meagher and Yunusa 1996). A state revenue officer in Kano confirmed that taxing the informal economy remains the purview of the Local Government, while State and Federal revenue collection focuses on income tax, corporate tax and other forms of revenue collection (Interview, Revenue Officer, Kano, 18 Oct. 2011). Most informal actors, with the exception of larger traders, are exempt from income tax and other taxes collected by higher levels of government.

However, the fact that informal actors already pay tax does not make them formal in the eyes of the state. Informality is defined by a combination of firm size, location of operation (in the open market) and business registration far more than by whether businesses do or do not pay tax. Small-scale indigenous activities, firms operating in the open market, or officially illegal activities such as motorcycle taxis, are classified as informal whether or not they pay tax, and are taxed regardless of whether they are registered. Only 13.3 per cent of the legal activities in the sample were registered, but were still defined as informal by their location and the nature of the activity. An additional 15.2 per cent also identified themselves as registered, but these were motorcycle taxi operators, who were registered for security reasons, although their activity is officially illegal in Nigeria, and therefore informal by definition.<sup>3</sup> Despite not being a legal activity, motorcycle taxi operators were

officially taxed by the local government in Kaduna, but not in Kano. Outside of Kano motorcycle taxi operators, only one other respondent did not pay formal taxes – a student who moonlighted as a butcher in the market.

Formal taxes for informal activities involve gazetted flat rates set according to location (in shops, on tables inside the market, etc.), the nature of the activity (tailor, food seller, etc.), with additional fees for signboards, public sanitation and special types of equipment deemed taxable. In 2011, petty activities operating within the market, such as butchers and small traders, paid a fee of N20 per day of operation. Similarly, itinerant activities such as hawking or motorcycle taxis in Kaduna paid a daily rate of N20. More skilled activities or those operating in shops outside the market paid flat annual rates fixed according to the nature of the activity. At the time of the study, rates ranged from N1,200 for tailors in Kaduna to N3,000 for pepper soup producers in Kano, fixed according to the presumed profitability of the activities as well as the bargaining power of the respective occupational groups and associations. What is evident is the regressive character of these tax rates. Daily rates for poor petty or itinerant operators totalled over N7,000 per year, while more lucrative professions faced annual payments of less than half as much. That said, these businesses may pay additional signboard and sanitation taxes, and larger operators were also obliged to pay income tax at the State level.

Among the activities in the study, tax bargaining is shaped by the nature of the ethnic and occupational groups involved. Three distinct types of tax bargaining occurred. Groups with strong associations negotiated down their taxes in return for taking on the task of collection and remittance in bulk to the Local Government. Activities with strong enterprise associations were dominated by southern Nigerian migrants in more lucrative activities who attracted the concerted attention of revenue officers (Meagher 2013a). Igbo auto parts dealers, Igbo and Yoruba pepper soup producers, and tailors who involved a range of southern as well as northern migrants all traced their involvement in their current associations to an intensification of tax demands from the Local Government. Associations negotiated over levels of taxation, as well as protecting members from 'fake' taxes through which some officials exploited confusing shifts in tax regimes for personal gain.

While individual members often struggled to distinguish official from fake taxes during periods of tax reform, collective organizations eliminated confusion by negotiating agreed rates and taking over the collection process. Among pepper soup producers, whose activity is normally associated with selling beer, state revenue drives combined with the rise of Shari'a law in northern states subjected firm heads to a proliferation of dubious new taxes in the early 2000s, such as a TV tax for having a television on the premises, a fish tax for selling fish pepper soup, etc. The formation of associations among pepper soup producers in both Kano and Kaduna from around 2008 facilitated a reduction of payments to the Local Government from N7,000 to N3,000 per annum in Kano, and from N 3-4,000 to N 1,500 in Kaduna.<sup>4</sup> Among tailors, efforts by the national textile union – known as the National Union of Textile, Garment and Tailoring Workers of Nigeria (NUTGTWN) – to recruit members from the informal economy created an opportunity to join a powerful formal sector association. Those who joined the textile union had their taxes reduced from N3-5,000 to N1,200 for tailors working outside the market, and from N1,500 to N 1,200 for those operating within market premises. Membership in well-organised associations and unions gave migrant groups in more lucrative activities a measure of bargaining power to negotiate levels of taxation and to limit extortion.

A second form of tax bargaining took place in activities dominated by indigenes, who tended to have weak associations or none at all in the activities studied. Here, tax bargaining often took place on an individual level, with operators appealing to local revenue officers with whom they often shared

ethnic or even local community ties. Individual tax negotiation was routinely identified by Hausa tyre traders, who lack a cohesive association, as their main bargaining strategy. A more dramatic example of the use of indigeneity as a bargaining strategy took place in 2011 when the Kano State Revenue Board received instructions to explore mechanisms for taxing motorcycle taxis in the state, an activity with a high share of Kano indigenes. A spontaneous group of some five hundred motorcycle taxi operators went to the palace of the Emir of Kano to protest. The Emir then put pressure on the Governor of Kano to desist. Much to the frustration of the State revenue officers, they were instructed to shelve plans for taxing motorcycle taxis (Interview, Officer of the Kano State Revenue Board, 26 Oct. 2011).

The third category involves poor operators in survival activities, who are effectively 'price takers' owing to their lack of effective organization or political leverage. Such actors have little option but to accept the prevailing rates. Those already paying these fees indicated that the daily tax rate was not onerous. The only alternative was to avoid the main operating areas where customers and tax collectors were concentrated, leading to very low levels of income.

These three very different types of tax bargaining were accompanied by a prevailing acceptance of taxation in principle. While the better organised southerners resisted 'unreasonable' taxation, meaning ungazetted levies or excessive increases, they accepted the idea of paying taxes as part of their civic obligation. Associational leaders as well as rank and file members of these more organised activities expressed a willingness to pay taxes, especially in return for services. Although attitudes to the principle of taxation were relatively positive, considerable frustration and anger were expressed about official extortion for personal gain, and about the very poor services received in return for comparatively high levels of taxation, especially among non-indigenes. Similarly, poorer actors, such as Kano motorcycle taxi operators who did not pay tax at the time of the study, repeatedly expressed a willingness to pay tax if it was spent on services that would benefit them. Some reservations were expressed about the likelihood of this actually happening, and there were concerns that the proposed rates of taxation might be too high given low and unstable incomes.

### ***Informal Taxation: Illicit Taxation and Self Help***

On top of formal taxation, informal actors in northern Nigeria are subject to a range of informal taxes, made up of illicit extraction by state officials, and self-help initiatives which involve enterprise associations imposing a range of dues and levies on members to provide limited business and social welfare services. In Nigeria, illicit taxation from official sources takes a number of forms, including extraction at roadblocks, arbitrary fines by traffic police and other officials, and 'fake taxes' imposed by revenue officials or by people posing as revenue officials. Migrants with strong associations, particularly those in relatively lucrative activities, have the organization, the resources and the education to defend themselves fairly effectively against illicit taxation by state officials. Enterprise associations in modern activities, such as tailors and Igbo tyre traders, engaged quite robustly with tax officials, and some retained a lawyer.<sup>5</sup> When asked about recent efforts to increase revenue collection from informal enterprises, the chairman of the Kano Auto Parts Dealers Association replied, 'If they should do, we will have to argue it out with them. If it is not reasonable, we will challenge it in court' (Interview, Sabon Gari, Kano, 18 October 2011). Similarly, the national textile union spent time educating tailors about their rights, and leaders of tailoring associations explained that just showing a national labour union identity card was often enough to deter officials from attempts at illicit extraction (Interview, official of Tailors Branch of NTGTWN, Kaduna, 15 April 2014).

By contrast, poor or socially weak informal actors were often less able to defend themselves from illicit taxation. Pepper soup producers and motorcycle taxis – activities dominated by migrant women and the poor respectively – were the most vulnerable to illicit extraction. Motorcycle taxi operators are largely poor and young as well as being involved in an activity that is technically illegal, making them vulnerable to random extortion by traffic police. Pepper soup is an activity dominated by migrant women and associated with selling beer, leaving producers constantly vulnerable to raids and extortion in the face of political targeting of activities perceived as unIslamic. Interestingly, in both of these activities, vulnerability to extraction has encouraged a positive attitude to official taxation, which was seen as a mechanism of protection from predation. Some motorcycle taxi operators in Kano, particularly non-indigenes, repeatedly expressed a willingness to pay taxes if the receipt would protect them from extortion. One young operator claimed that he would rather pay a tax of N20 per day than the standard N 3-500 per week in bribes to traffic police. Among poor and vulnerable informal actors, a negative view of state officials translated into a positive view of taxation as a source of legitimacy and protection. However, the experience of the many already paying formal taxes calls into question the level of protection formal taxation can provide in the face of rampant official corruption and the relative powerlessness of poor informal actors.

In contrast to illicit taxation, levies by self-help associations were regarded as highly legitimate and beneficial by most informal actors. Sixty-nine per cent of informal actors in the sample were members of occupational self-help associations, the remainder being largely Hausa operators who relied more on ethnic leverage for protection. Those involved in associations paid nearly twice as much in basic associational fees as they paid in official taxes to the Local Government. While tax payments to the Local Government ranged between N 1,200 – N 3,000 among those who paid on an annual basis, payments to associations averaged over N4,081.50 per year in dues alone, and were at roughly similar levels in Kano and Kaduna.<sup>6</sup> Despite being higher than official taxes, dues for self-help associations were seen as fairer, since they funded useful services and protection, and allowed flexibility for members experiencing particular difficulties.

**Table 2: Dues Paid to Self-Help Associations Among Selected Informal Activities in Kano and Kaduna (Naira Per Annum)**

	City		Indigeneity		Religion		Gender	
	Annual Associational Dues	Kano	4045.71	Indigenes	4117.71	Muslims	3816.43	Men
Kaduna		4109.33	Non-Indigenes	4053.33	Christians	4700.00	Women	1575.00
Average		4081.50		4081.50		4081.50		4081.50

Source: Fieldwork

### Social Divisions and Political Voice

In addition to facing different levels of formal and informal taxation, informal actors in northern Nigeria experience differences in the extent to which paying taxes is translated into political voice. Most indigenes expressed a broad acceptance of the possibility that taxation could enhance political voice over time. By contrast, non-indigenes expressed growing frustration with the rising level of extraction and the negligent response of the state to the provision of basic services. Highly organised activities dominated by non-indigenes were often successful at tax bargaining, but struggled to translate tax payments into public accountability.

In Kano, Christian migrants pay higher taxes in return for noticeably worse services than in nearby indigene-dominated areas within the same Local Government (Meagher 2013a). An official from the Igbo auto-parts union based in the Christian quarters known as Sabon Gari complained that the local government used the Christian quarters as a 'cash cow', extracting high levels of taxation, while providing little in the way of services. 'If they tax us,' he claimed, 'they should work for us. That's the reason for taxing' (Interview, General Secretary of Auto-Parts Dealers' Association, Sabon Gari, Kano, 31 October 2011). Similarly, the Chairman of the Igbo tyre traders union noted that the union was left to carry out services that they paid taxes to the Local Government to perform. Faced with serious flooding problems in the tyre market, they mobilised their own resources to clear the gutters. When they turned to the Local Government for help with the task, officials replied that it was 'not in their budget' (Interview, Chairman of Kano Tyre Sellers Welfare Association, Sabon Gari, Kano, 18 October 2011). Conversely, the local government provided better services in nearby areas dominated by indigenes, but demonstrated a reluctance to collect taxes because, as the General Secretary of the Igbo auto-parts union explained, it is 'bad politics for them'. The reality of high taxes and lack of services in Sabon Gari is widely recognised in Kano (Mgboh 2012).

In Kaduna, the head of the embroiderers association complained of the failure of Local Government to provide basic services such as sweeping the market or electricity provision, despite rising market fees and tax payments. Efforts to engage with Local Government over these issues were rebuffed. While most embroiderers were both Muslim and Hausa, the majority were non-indigenes from neighbouring Nigerian states, depriving them of the leverage to translate their tax contributions into political voice in a context in which public officials felt compelled to focus visible benefits on activities dominated by indigenes (Interview, Chairman of Embroiderers Union, Tudun Wada, Kaduna, 16 April 2015).

In an effort to enhance their political voice, informal enterprise associations in more lucrative activities resorted to a range of strategies, including paying additional social contributions, or associating themselves with more powerful formal sector organizations. Some Igbo informal associations resorted to philanthropic contributions above and beyond their tax payments in a quest for greater political recognition. The Igbo tyre traders association in Kano imposed levies on themselves to donate to local orphans, prisoners and the disabled, and called in journalists to publicise the proceedings. One such collection in a monthly meeting raised N85,000 for donations to needy indigenes (Interview, tyre trader, Sabon Gari, Kano 27 October 2011).

Other informal enterprise associations pursued alliances with more powerful formal sector groups, such as national labour unions, formal business associations or public officials in order to improve levels of political voice. In Kaduna and Kano, a growing number of tailors had begun to align themselves with the national textile union or with the National Union of Tailors, a national business association. Others used their associations to court state officials, recognizing that simply paying taxes was not enough to gain the ear of the state. Activities associated with poor women and poor

non-indigenes demonstrated the weakest capacity to translate tax payments into political voice. Highly vulnerable to extortion, poorly connected and weakly organised, they lacked the political leverage to hold the state to account even if they paid their taxes and cultivated additional linkages.

**Table 3: Attitudes to Formal and Self-Help Taxation Among Different Groups of Informal Actors in Kano and Kaduna (% of Informal Actors)**

	Indigenes	Non-Indigenes	Muslims	Christians	Men	Women	Average
<b>Tax OK?</b>	63.8	32.1	48.8	42.9	49.5	27.3	47.3
<b>Association Dues OK?</b>	66.7	80.4	69.5	85.7	72.7	81.8	73.6
<b>Taxation promotes accountability?</b>	59.6	48.2	56.3	46.4	57.7	18.2	53.7

Source: Fieldwork

The complex relationship between taxation and political voice in the informal economy is illustrated in Table 3. It examines attitudes to official and self-help taxation, and explores different categories of informal actors' experience of the impact of taxation on public accountability. The results show clear differentiation by gender, ethnic and religious identity in attitudes to taxation. 64 per cent of indigenes and 50 per cent of men felt that the level of official taxes they paid was reasonable – reflecting the greater ability to negotiate personal deals and high levels of embedded tax morale among the Hausa (Bodea and LeBas 2013) – but only 32 per cent of non-indigenes and 27 per cent of women shared this feeling. Satisfaction with the dues paid to self-help associations was much greater despite the fact that the average level of self-help dues was higher than tax payments. An overall average of 74 per cent, and over 80 per cent of non-indigenes, Christians and women, expressed satisfaction with the level of their self-help dues. Politically vulnerable groups were less persuaded that official taxation promotes state accountability. While more than 56 per cent of indigenes, Muslims and men felt, or hoped, that taxation would increase accountability, less than 50 per cent of non-indigenes and Christians, and only 18 per cent of women, felt the same way. These results show that different social groups within the informal economy experience the legitimacy of taxation and its effect on political voice very differently. Politically disadvantaged groups within the informal economy are comparatively less satisfied with the levels of official taxation that they pay, and are also less able to use taxation to hold the state to account.

### Conclusion

Looking beyond big ideas about taxation to an engagement with the evidence, the case of northern Nigeria highlights three key observations. The first is that history matters. The prevailing model of the relationship between taxation and the social contract is not universally valid – in fact, a unitary model does not even hold true for the whole of Nigeria. The fiscal relationship between state and

society is a product of past as well as present struggles that do not necessarily lead to an improved social contract. In Africa, coercive experiences of taxation contributed to destroying the colonial social contract, and have weakened the link with public accountability and service provision in the post-independence state. This is particularly evident in northern Nigeria where the colonial government inherited a politically legitimate tax system and turned it into a profound source of popular resentment against the state. While the role of taxation in state-society relations can change over time, the northern Nigerian case suggests that a positive trajectory is not inevitable even from supportive cultural foundations. Oppressive fiscal relations can lead to state-demise rather than state-building particularly when targeted at vulnerable groups that lack the political leverage to demand accountability. In order to have a positive effect on governance, fiscal policy cannot assume a *tabula rasa*, but must address historical legacies of trust or mistrust, as well as existing levels of poverty and social disadvantage that shape the ability of marginalised groups to make claims on the state.

A second observation relates to the need to take account of the contemporary fiscal dynamics of state-society relations. Across much of Africa, informal actors already pay a range of formal as well as informal taxes that play a role in local government financing and support self-help organizations that fill gaps in state provisioning. Current initiatives to tax the informal economy represent an addition to these existing tax burdens. Given low and unstable levels of income within much of the informal economy, additional tax demands risk fiscally overburdening poor informal actors. They also threaten to weaken their bargaining power by crowding out the self-help contributions needed to build strong associations necessary for effective tax bargaining. There is little evidence that increased formal taxation displaces the payment of informal taxes, particularly among vulnerable groups who are ill-placed to resist extraction and who are often bypassed by improvements in services. Conversely, claims that self-help groups create 'club goods' that undermine the willingness to pay formal taxes (Bodea and LeBas 2013) are challenged by evidence from northern Nigeria. There, self-help groups improve rather than undermine the legitimacy of formal taxation by strengthening the bargaining power of informal actors to negotiate with the state and help to contain excessive and illicit taxation. As Olken and Singhal (2011:27) point out, it is important to look beyond simple revenue calculations to consider the 'consequences of formal versus informal financing on community institutions and social networks.' Efforts to strengthen public accountability should consider the need to protect self-help contributions to informal associations which are key to strengthening effective tax bargaining among vulnerable informal actors.

A final observation concerns the need for a stronger focus on the mechanisms through which taxation is translated into political voice, and the social divisions that shape that process. Deborah Brautigam (2008:157) highlights the need to focus on the 'organizational structures and collective action capacities of the taxed sector' in assessing the ability of tax payers to exercise political voice. This involves not only the ability to form effective associations, and to engage in tax bargaining with the state, but the ability of informal actors to hold the state to account regarding how resources are spent. Rebuilding the social contract requires strengthening the political capacity of informal actors to shape spending priorities, not just pumping more fiscal revenue into states that remain unaccountable to the material and infrastructural needs of taxpaying vulnerable groups.

While the ability of some social groups to form effective associations may improve their ability to bargain over tax levels, the evidence presented here suggests that political voice is often based more on identity, gender and patronage ties than on fiscal relations and effective associations. Indeed, political voice tends to determine levels of taxation rather than the other way around, with the

result that those who have the most voice pay the least tax (Goodfellow and Titeca 2012; Meagher 2013a; Pimhidzai and Fox 2013). Informal actors continue to find greater political leverage through their role as co-ethnics and communal vote banks than as fiscal subjects. Far from breaking the Devil's Deal, taxing the informal economy simply accentuates divisions between those who are seen as sources of political capital and those who are used as sources of revenue. Within this context, new efforts to tax the informal economy risk exacerbating existing social and political tensions rather than rebuilding the social contract. Infusing new thinking on taxation with some old thinking on history, power, and inequality would contribute to more effective policy debates.

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<sup>1</sup> Northern Nigeria was written with a capital 'n' until the creation of states in 1967 changed it from a political unit into a general regional designation.

<sup>2</sup> The activities of secluded northern Nigerian women were not included in the study owing to the logistical complexities of access, and the distinctive issues of taxing activities carried out within the private domain.

<sup>3</sup> Owing to security problems linked to Islamic extremism, motorcycle taxis have been banned in both Kano and Kaduna since the time of fieldwork.

<sup>4</sup> The Naira exchange rate was N160 to \$1 at the time of the research (October 2011 – April 2014).

<sup>5</sup> While their members are informal, associations are often registered and can operate as legal entities.

<sup>6</sup> These figures include basic tax and self-help rates only, net of supplementary dues and levies, which respondents were unable to estimate.