

## MILKA CASANEGRA: A MEMORY<sup>1</sup>

I had the pleasure of having known Milka Casanegra for close to three decades, while we both worked for the International Monetary Fund in Washington. For many of those years we lived within a walking distance from each other and we occasionally socialized, with our respective consorts. Milka had joined the International Monetary Fund (IMF) some time after the Allende government had come to a tragic end.

That period had not been a good one for Chile and had been a difficult one for the Chilean Tax Administration where she had been working. I recall that she did not have good memories of that period when, in her telling, the democratically-elected, but very leftist Allende government, in order to improve, rapidly, the existing very uneven income distribution in Chile, had allowed some abuses of the existing laws. She related that, at times, the courts were condoning some minor crimes, when they were perpetrated by low income individuals. To Milka, who was a strong believer in the respect for existing laws, this was unacceptable.

Milka joined the IMF as a staff member of the Tax Administration Division (TAD). At that time, the TAD was headed by Carlos Aguirre, a pleasant and capable individual from Uruguay. That division was part of the Fiscal Affairs Department of the IMF, of which I became the Director in 1981 and directed until 2000. Milka and Carlos had a smooth, well working relation for several years, until she became the head of that division, when Carlos Aguirre died of a heart attack, some time in the 1980s. Milka held that position until she retired from the IMF.

As head of the TAD she participated, (as an expert, or as a mission chief,) in many Fund's technical assistance missions, to countries such as Peru, Mexico, Russia and several others. She also directed much of the work of the Fiscal Affairs Department in the important area of tax administration. Because her background was tax administration, and not economics, she occasionally had to negotiate the advice that the Fund was giving to countries with individuals whose strength was economics and tax policy. At times these economists tended to give little importance to administrative considerations, while Milka tended to overemphasize administrative solutions. Her strong personality and strong views, that at times reminded one of Margaret Thatcher, made her a formidable opponent in these intellectual debates.

During those years, she and I collaborated in the writing of a joint paper "The Use of Presumptive Income in Modern Tax Systems". That paper was presented at a Congress, in Athens, and was later published in a book, *Changes in Revenue Structure, Proceedings of the 42nd Congress of the International Institute of Public Finance* (Wayne State University Press, 1989). I often relied on her advice on administrative matters.

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<sup>1</sup> Carta en homenaje a Milka Casanegra, enviada a la *Revista de Derecho Tributario* por el profesor Vito Tanzi, presidente Honorario del Instituto de Finanzas Públicas, ex director del Departamento de Finanzas Públicas del Fondo Monetario Internacional. Recibido el 6 de marzo de 2021, aceptado el 31 de marzo de 2021.

As a tax administrator, Milka played important roles in improving the tax systems of several countries. She had an obvious and strong comparative advantage in tax administration. In some countries, such as Peru, she played a particularly important role at a time when the Peruvian tax system was in a disastrous state, tax revenue had fallen to less than seven percent of GDP, and the country was in arrears with its foreign debts. After surveying the situation, she concluded that the existing Peruvian tax administration was just too inefficient and too corrupt to be improved. It should be shut down and replaced by a totally new one, with new personnel, new rules, and new incentives.

This drastic reform of the Peruvian Tax Administration led to a dramatic improvement in tax revenue. For an account, see the chapters on Peru in Vito Tanzi, 2010, *The Charm of Latin America: Economic and Cultural Impressions* (New York: IUniverse), especially p. 95.

She was behind other administrative reforms. One was that of establishing large taxpayers units within tax administrations. These units would direct their attention to large taxpayers and would develop for them systems of controls that would progressively be extended to larger groups of taxpayers. This system was tried in some countries with different degrees of success, The experience in Russia was disappointing indicating that in some cases policy was as important as administrative changes.

Milka was an original. She was a highly talented individual with strong views. She definitely had what could be called “stage presence”. She left strong impressions on those who met her. For this reason, many of those who met her will remember and will miss her.

Vito Tanzi, a friend and a colleague