



Central American Maras: Systematic Extortion as a Form of Taxation

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ABSTRACT

The Maras are transnational criminal gangs that impose a parallel, informal tax system through systematic extortion in the vibrant Northern Triangle of Central America. This article addresses the need to evaluate the intersection of this violent practice with formal tax law, as they both mirror an authority with jurisdiction to tax over the same subjects.

- 1 The Northern Triangle of Central America, comprising El Salvador, Honduras, and Guatemala, is renowned for its cultural diversity and natural beauty. Unfortunately, this region has gained notoriety due to the presence of Maras, transnational criminal gangs wielding significant influence over local communities. One of the most insidious aspects of Maras' operations is systematic extortion, a form of taxation with profound implications for businesses, individuals, and the socioeconomic fabric of these nations, often enforced through violent means such as kidnapping, death threats, and murder.
- 2 Maras' extortion methodology relies on territorial control, allowing them to establish de facto dominance in specific geographic areas where the state's police force is absent.¹ Within these territories, Maras function as quasi-governments, imposing their unique form of taxation on businesses and individuals. This systematic extortion, akin to a parallel tax system, enables the gangs to fund their operations and solidify their power. The pervasive nature of territorial control not only stifles economic growth by burdening businesses with exorbitant fees but also instills fear and submission among the local population. The blurred lines between criminal enterprise and quasi-governance create a complex dynamic where traditional taxation coexists with, and often bows to, the extortionist demands of the Maras, perpetuating a cycle of criminality and social decay.

- 3 Despite offering a semblance of safety and security, the protection provided by Maras comes at a steep price. Maras present themselves as arbiters of order within their territories, promising to shield businesses and individuals from external threats, including rival gangs or violence. However, this protection is contingent upon regular payments, euphemistically termed 'rent' or 'war tax'. Compliance with these extortionist demands promises a degree of immunity from violence and chaos that might prevail without such an agreement. In reality, this protection is a façade, concealing a pervasive climate of fear and oppression. Businesses and individuals find themselves in a coercive relationship, where supposed protectors become exploiters, extracting funds under the threat of violence or retribution. This warped dynamic perpetuates dependence, turning the very entities claiming to offer protection into sources of economic and social instability in these beleaguered communities.
- 4 Maras' systematic extortion, though illegal and detrimental to affected communities, can be analysed as a perverse manifestation of informal taxation.² In the absence of effective state control or the provision of basic services, criminal organizations like Maras step in, exploiting the vacuum to establish their order. The extortion fees exacted by these gangs mirror a form of informal taxation, functioning as compulsory contributions from businesses and individuals for the alleged provision of protection and security services. The key distinction lies in the coercive and illicit nature of Maras' operations, where compliance is achieved through threats, violence, and intimidation rather than the transparent and lawful mechanisms associated with formal taxation.
- 5 This informal taxation by Maras underscores the state's failure to meet the needs of its citizens, leaving them vulnerable to criminal exploitation. In some instances, members of the local population may reluctantly view these extortion payments as pragmatic necessities for survival in the absence of effective state protection. The normalization of Maras' extortion within these communities blurs the line between criminality and a distorted form of governance, highlighting the urgent need for comprehensive reforms to address the root causes of such criminal enterprises and strengthen legitimate state institutions.
- 6 The systematic extortion orchestrated by Maras presents a stark and ominous parallel to formal tax systems, challenging the very foundations of governance and economic stability. In territories under Maras' control, the gangs operate as de facto authorities, imposing their version of taxation on businesses and individuals. This system, though inherently criminal, mirrors the structure of a formal tax regime, imposing jurisdiction to tax its subjects under the guise of providing protection or maintaining order. The difference lies in the coercive and predatory nature of Maras' extortion, where compliance is enforced through violence, and the consequences of non-payment can be catastrophic. In contrast to legitimate tax systems, Maras' extortion does not contribute to public services, infrastructure, or social welfare; instead, it serves to fund criminal enterprises and consolidate the gangs' power.
- 7 The rivalry between Maras' systematic extortion and formal tax systems exacerbates the challenges faced by Central American nations. The existence

of parallel tax structures undermines the legitimacy of government institutions and erodes public trust in official governance. Businesses, faced with the choice between paying extortion to criminal gangs or legitimate taxes to the government, often find themselves caught in a dilemma that compromises economic growth. This competition for financial resources not only impedes the state's ability to provide essential services but also perpetuates a climate of corruption and lawlessness, hindering efforts to establish a fair and effective tax system that benefits society as a whole. In essence, the coexistence of Maras' extortion and formal taxation reveals a complex and troubling dynamic where criminal organizations directly challenge the state's authority to collect revenue and govern its own territories.

8 In addition, extortion practised by these actors introduces complex legal implications and intersects with both tax law and tax morale profoundly. From a legal standpoint, extortion is a criminal offence, distinctly separate from formal tax systems. Extortion involves the use of force, coercion, or threats to compel individuals or businesses to part with their money, while tax systems are designed to be legitimate and governed by legal frameworks. However, the presence of Maras' systematic extortion creates a legal quagmire, challenging the enforcement of formal tax laws and the capacity of governments to protect their citizens.

9 In terms of tax law, Maras' extortion undermines the legitimacy of the state's authority to collect revenue. The criminal organizations essentially establish a parallel tax system through coercion, exploiting the vulnerability of businesses and individuals who may be hesitant to report such activities due to fear of retaliation. This challenges the effectiveness of the formal tax system, as individuals and businesses may be compelled to divert resources away from legal taxation to meet the demands of criminal organizations.

10 The intersection with tax morale is equally significant. Tax morale refers to the intrinsic motivation of individuals and businesses to voluntarily comply with tax obligations.³ When citizens perceive that their tax contributions are used for the common good, public services, and societal development, tax morale tends to be high. However, Maras' extortion erodes tax morale by creating a sense of disillusionment and mistrust in the ability of the state to protect its citizens and ensure the proper use of tax revenues. In communities where the threat of extortion is pervasive, individuals and businesses may develop a diminished sense of civic duty, questioning the fairness and effectiveness of the formal tax system.

11 Furthermore, the distorted perception of taxation created by Maras' extortion can contribute to a broader culture of non-compliance with formal tax obligations. When citizens observe criminal organizations extracting funds through coercion, it may foster a belief that tax evasion or avoidance is a justifiable means of self-preservation. This erosion of tax morale not only weakens the financial foundations of the state but also hampers the government's ability to implement equitable and effective tax policies.

Addressing the legal implications and intersections of Maras' extortion with tax law and tax morale requires a multifaceted approach. Governments must enhance law enforcement efforts to dismantle criminal networks, improve the rule of law, and establish a more transparent and accountable tax system. Simultaneously, initiatives aimed at rebuilding tax morale, such as communicating the benefits of taxation and ensuring that tax revenues are used efficiently and for the common good, are essential in restoring citizens' faith in the formal tax system. Ultimately, confronting the challenges posed by Maras' extortion requires a comprehensive strategy that encompasses legal, social, and economic dimensions to rebuild the foundations of a just and functional society.

Notes

- 1 Thomas J. Boerman, Isabel Aguilar Umaña, and Richard A. Jones, 'Absent, Repressive, and Criminalized States: Forced Internal Displacement and Irregular Migration in El Salvador, Honduras, and Guatemala' (40 Latin American Perspectives 2023) <https://doi.org/10.1177/0094582X231206814>.
- 2 Benjamin A. Olken and Monica Singhal, 'Informal Taxation' (2011) 3 Am Econ J Appl Econ 1.
- 3 Wilson Prichard, 'Unpacking "Tax Morale": Distinguishing Between Conditional and Unconditional Views of Tax Compliance' (ICTD 2022) <https://doi.org/10.19088/ICTD.2022.013>.

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