

LEADERSHIP, RESPONSIBILITY,
PERHAPS DEMOCRACY
New Thinking about Latin American Development

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DISCIPLINE AND DEVELOPMENT: MIDDLE CLASSES AND PROSPERITY IN EAST ASIA AND LATIN AMERICA. By Diane E. Davis. (Cambridge: Cambridge University Press, 2004. Pp. 421. \$80.00 cloth, \$29.00 paper.)

THE LIMITS OF STABILIZATION: INFRASTRUCTURE, PUBLIC DEFICITS, AND GROWTH IN LATIN AMERICA. Edited by William Easterly and Luis Servén. (Washington, DC: Stanford University Press/The World Bank, 2003. Pp. 232. \$31.95 paper.)

GLOBALIZATION AND DEVELOPMENT IN LATIN AMERICA. Edited by Richard L. Harris. (Whitby, Ontario, Canada: de Sitter Publications, 2005. Pp. 355. \$49.95 cloth.)

STATE-DIRECTED DEVELOPMENT: POLITICAL POWER AND INDUSTRIALIZATION IN THE GLOBAL PERIPHERY. By Atul Kohli. (Cambridge: Cambridge University Press, 2004. Pp. 466. \$27.99 paper.)

RETHINKING DEVELOPMENT IN LATIN AMERICA. Edited by Charles H. Wood and Bryan R. Roberts. (University Park: Pennsylvania State University Press, 2005. Pp. 384. \$55.00 cloth.)

Five thoughtful new books by sociologists (Diane E. Davis and most of the contributors to the Charles H. Wood and Bryan R. Roberts volume), economists (contributors to the William Easterly and Luis Servén volume), and political scientists (Atul Kohli and most of the authors in the book edited by Richard L. Harris) address the big questions. Each, including even the three that are collective works, presents strong and reasonably clear causal hypotheses about development. One common if sometimes implicit theme is that of leadership and assuming responsibility for one's own national outcomes: these authors believe in and would like to influence public policy interventions. There is an interesting apparent consensus that the default definition of "development" includes both growth in per capita income and better social indicators, while the road to developmental success implies some combination of space

for market efficiency and assertive political governance of the national economic regulatory framework. Most contributors decry the too passive and timid Latin American state that has resulted from two decades of neoliberal economic reforms. The books' assessment of economic globalization and expectations of the policy consequences of participatory politics are more mixed.

The volume edited by Richard Harris explicitly attributes most of contemporary Latin America's social ills to globalization managed for—and often by—corporate capitalism. Its straightforward, specific information may be of particular use to activists. The first three chapters indict U.S. Democrats for supporting free trade via the NAFTA, WTO, and FTAA and connect liberalized trade in services with reduced public spending on social welfare and worsening health outcomes in the region. Jorge Nef argues that even where mean outcomes (morbidity and mortality) have improved, access to health care in a world of increasingly privatized service provision has become more variable and insecure for that quarter or so of the population of countries that is absolutely poor. He also presents data on the extent of deprivation in nutrition and access to health care, as well as the region's well-known and horrendous patterns of income distribution. Nonetheless, the causal links in the book's larger anti-neoliberal and anti-globalization arguments remain ambiguous. For example, according a table drawn from FAO data (100), many countries in the Caribbean and Central America saw food security remain flat or worsen slightly between 1979–81 and 1996–98, which surely is an indictment of something. Yet those with the largest increases in the share of the population malnourished (Cuba, Haiti, Trinidad and Tobago, and Panama) run the gamut from centrally planned Cuba to officially dollarized Panama. Moreover, after deteriorating during the debt crisis in several countries, nutritional outcomes improved throughout South America in the 1990s, except in Venezuela. One can argue that the improvement would have been greater in the absence of trade liberalization and other IMF-promoted reforms, but this logic would be more convincing if it were explicit. In any case, should the 1980s debt crisis be told as a cautionary tale about globalization—or about inward-looking import-substitution industrialization (ISI)? Both interpretations are plausible. (I return to the book's chapters on social movements below.)

There are interesting parallels between the Harris volume and its most obvious foil among the five, the World Bank publication edited by generally pro-trade, pro-market economists William Easterly and Luis Servén. While Harris and his contributors decry the fall in social welfare spending associated with IMF stabilization, Easterly and Servén et al. are equally vehement on the folly of the large, stabilization-related cuts in public infrastructure investment of the 1980s and 1990s. They argue that these cuts were irresponsible and short-sighted, and have resulted

in both lowered future growth opportunities and a weaker public fiscal position. It is, by the way, a good thing that the editors decided to go ahead and let themselves be shrill (for economists) in their introduction, as the striking empirical findings of the other contributors tend to be masked by their low key, technical presentation. The combination of the first two books suggests that, among the group of socially progressive academic intellectuals concerned with Latin American development, both those on the comparative left and right find themselves profoundly distressed with the diminished economic role of the state in recent decades. Incidentally but of great relevance to the larger issues of fairness implicitly addressed by all of these works, while Latin America has painfully reduced its public deficits and debts, the advanced industrial countries have not. The rich democracies have had much higher public debt than Latin America since the early 1990s. For 2005, the projected mean ratio of domestic plus external public debt to GDP among the advanced industrial countries is 68 percent, while the figure for Latin America is only 46 percent (ECLAC 2005, 9).

The volume edited by Charles Wood and Bryan Roberts sets itself the task of debating paradigmatic shifts in academic sociology, making it the most different among the five, though it shares with the Davis and Kohli monographs a commitment to rigorous and self-conscious theorizing. The variety of contributors and ideas mooted challenge the reviewer. Alejandro Portes proposes four big ideas for a future collective conceptual agenda: social/cultural capital ("dense ties of solidarity and reciprocity" (39) enabling the pooling of individual resources), global commodity chains, transnationalism ("the social fields created by the immigrants to the advanced countries" [44]), and the embedded/Weberian state. Portes' succinct diagrammatic summary (50) of Peter Evans' theory of embedded autonomy is especially noteworthy and useful for comparing with the related logics of Kohli and Davis. Oswaldo Sunkel would direct future scholarly concern toward the environmental degradation and social polarization associated with industrialization and economic globalization. He writes that "economic reform is a contemporary historical necessity" but that "the political class will have to design, structure, and maintain a wide social and political consensus . . . [on] distributing more equitably the inevitable social cost of adjustment . . . [and] subsequent benefits" (77). Translated into the language of the international financial institutions: there really is no alternative to market reforms, but Latin American leaders need to own the reforms and take responsibility for modifying them to achieve growth and equity. Vilmar E. Faria bravely voices the angst that pervades more than one contribution: the fear that the only academic experts with any presence in the policy world today are economists. Bryan Roberts, Juan Pablo Pérez Sáinz, Peter M. Ward, and

Charles Wood debate the concepts of citizenship, marginality, and social exclusion with an eye toward greater falsifiability and policy relevance.

The final two books in this set address the core questions of the nature and sources of effective state action for development. Both provide well-elaborated theories supported by closely investigated country case studies. Each is compelling, informed, and well-written, though methodological purists will criticize both Kohli and Davis for apparently having selected cases on the dependent variable, and for having more independent variables than cases (King, Keohane, and Verba 1994, 142–46). Do not be deterred. Kohli, a South Asianist and political scientist, is better on the comparative history of industrial policy, while Davis, a sociologist and Latin Americanist, excels in delineating the state-society links under each governing regime. The two seem to have been unaware of one another's similar projects, rendering their substantial theoretical overlap especially noteworthy.

For Atul Kohli, South Korea is the successful industrializer, Brazil and India muddle through, and Nigeria's efforts at state-led development have floundered in corruption and disaster, its petroleum wealth notwithstanding. Kohli begins with Korea's "cohesive-capitalist" state which under President Park Chung Hee in the 1960s and 1970s was "economically consequential" because "the regime was able to focus narrowly on economic goals without needing to respond to the demands of various groups" (89). This compares to Brazil's and especially India's "fragmented, multi-class" states, wherein all significant public policy shifts have had to be exhaustively and inefficiently negotiated, and finally to Nigeria's "neo-patrimonial" state, existing by and for patronage, and unable to formulate much less implement any medium or long-range development program. His causal explanation emphasizes state construction under colonialism. In the early twentieth century, the Japanese "brutally" restructured Korea's patrimonial agrarian bureaucracy, established close working relations with big business, and set up police, tax collectors, and other institutions to control labor, farmers, and other potentially troublesome lower class groups. In sharp contrast, the British "ruled Nigeria on the cheap" (18) by preserving traditional patrimonial leaders and neglecting to construct institutions of good governance, education, industrial production, or even taxation. Kohli's take on Brazil includes the intriguing observations that the threat of armed intervention by the central state is what kept the fissiparous, decentralized first Republic (1889–1930) together (139), that Vargas was a proto-Park Chung Hee, especially during the *Estado Novo* period, and that Brazilian ISI policymakers were insufficiently nationalist, being too willing to rely on foreign direct investors, whose subsequent presence made truly assertive state leadership difficult.

Diane Davis identifies Taiwan as the greatest developmental success, Korea as mostly successful though faltering in recent years, Mexico as somewhat successful, and Argentina as a century-long developmental disaster. Her theory is compelling, if sometimes hard to untangle. Davis' model (summarized on pages 23–24), like Kohli's, locates the distinctive characteristic of the East Asian tigers in the state's ability to "discipline" both capital and labor, thus enabling policymakers to distribute incentives and benefits, especially to business, without succumbing to state capture. She emphasizes the possibility (hitherto unrecognized in social science literature on Latin America, she plausibly claims, see chapter 2) that the middle classes, as defined by occupation rather than status or income, may operate as a comparatively autonomous social force independent of both capital and labor. Moreover, the rural middle class of sober, thrifty, hardworking smallholders may have a special role to play, at least where its members are both reasonably cohesive among themselves and politically salient, even in a subordinate fashion, in national politics. When the conservative values of the rural middle class are culturally and politically significant—as she argues has been the case in much of East Asia—then incumbent rulers are able to draw on middle class support to "discipline" both labor, as in Kohli's understanding of the developmental state, and also capital, for example through exposing private sector corruption and resisting some demands for monopoly rents.

Davis understands Francisco Madero, despite his landowner status, and many of the early Northern adherents to the revolutionary cause in Mexico as representative of rural middle class groups and values. Her Mexican case study emphasizes the often fortuitous (that is, not structurally determined) decisions that cumulatively resulted in the virtual exclusion of middle class groups, especially rural ones, from either symbolic power or political voice (288–316). Early on, the rural middle class revolutionaries lost out to Emiliano Zapata and Pancho Villa, who subsequently were themselves eliminated as leaders while their social bases were symbolically exalted but substantively marginalized. Davis provocatively views the exclusion of Madero et al. as the larger tragedy for Mexican development. Cárdenas' 1938 party reforms later explicitly incorporated public employees, an important urban middle sector group, but failed to include other urban middle sectors, such as small business owners and professionals in private employment (302–03). Consequently, the state was unable to discipline big capital, since ruling elites feared to unleash the hard to control force of worker militancy yet could not rely on the middle class in its place. In Argentina, the situation was worse, as the lack of land reform meant that there were few small to mid-sized independent family farmers. Though immigrant industrial workers often tried to establish themselves as smallholders, intense and institutionalized discrimination made it difficult for them to prosper, opening them up to

radicalization (240–42). Unlike the situation in her three other cases, the Argentine military did not serve as an important avenue of upward mobility (and additional enforcer of the disciplinary ethic) for rural middle class groups, again largely because of the numerically large group of immigrants, who were exempt from military service. At the same time, by the early twentieth century the Argentine military had come to see the nation's enemies as largely internal rather than external (204–05). Though we are familiar with these basic facts, Davis' interpretation is fresh and thought provoking.

What do we learn from the five volumes as a set? All the authors choose to work with a minimalist conceptualization of "development" defined principally in terms of material progress. This is a sensible choice, as it allows us to assess rather than simply assert the implications of social and political variables. These scholars also advocate state developmental leadership. They have heard the neoliberal assertion that the rent-seeking, patronage-dispensing state is the root of inefficiency and economic collapse, but they are not convinced. Easterly and Servén, Kohli, and Davis stress the state's role in achieving aggregate economic growth; Harris, and Wood and Roberts attend especially to the state's responsibility for ensuring just and equitable distribution. The books taken together also provide strong, nay crushing, reasons for deeper dialogue across the social sciences. The most recent annual assessment from the Inter-American Development Bank (IDB; Stein et al. 2005) offers unexpected confirmation. The 2006 report's theme is the politics of economic policymaking. The five senior economists listed as principal authors begin with a list of ten "main messages" (7–9), including the observations that the process by which policies are formulated and adopted may be as important to their success or failure as their content (propositions #1 and #3); one-size-fits-all reforms usually do not work (#2); single variable analyses and policy reforms also typically underperform, because societies are complex and interactive systems (#4 and #6); deep country-specific and historical knowledge is essential (#5); and political legitimacy, institutions, and leadership matter enormously (#7–10). These findings could be interpreted as non-trivial concessions to the methods and convictions of the other social sciences.

I suggest three themes for future research. First, further cross-regional comparisons are desirable. Other world regions have sometimes achieved enviable material outcomes. The Human Development Index (HDI), a UNDP measure running from 0.000 (worst) to 1.000 (best), usefully combines measures of life expectancy, educational attainment, and per capita income into a single figure. The HDI thus provides a rough comparison of progress that includes but is not limited to simple income growth. In 1975 the unweighted mean score for the seven most populous Latin American countries was 0.596, and in 2002 it was 0.796, yielding

a increase of 0.105 (UNDP 2004). Similar calculations for six large East Asian countries (0.596 in 1975 and 0.773 in 2002, an increase of 0.167) and three South Asian giants (0.367 and 0.534, an increase of 0.177) suggest substantially greater improvements in life chances in Asia than in Latin America over the same time period. While the details of this calculation are surely suspect, its general direction and magnitude are less so. These simple quantitative comparisons tell us that sometimes we should look outside the region for ideas. At the same time, identifying causality is complex and may require the skills of the case study researcher. For example, an examination of East Asia allowed Davis to observe the proverbial nonbarking dog: the comparative weakness of the rural middle classes in Latin America.

Second, trade liberalization may be the contemporary issue that divides scholars of Latin American development the most, with economists overwhelmingly in favor and others increasingly opposed. Though crucial causal propositions remain unfalsifiable (Rodríguez and Rodrik 2001), the accumulated evidence shows a strong association of trade openness with aggregate growth (Warner 2003; Winters 2004). Trade's implications for income distribution are murkier. Among the most beautiful models of neoclassical economics are those that predict that the locally abundant factor of production will gain from free trade. Exchange between an industrialized and a developing country should disadvantage unskilled labor in the wealthy society (although low income workers are partly compensated by cheaper consumer goods), while benefiting unskilled labor in the poor economy. We thus expect that trade liberalization in Latin America and the Caribbean should improve income distribution—yet recent empirical findings often show the opposite result (Arbache, Dickerson, and Green 2004). Some economists also now argue that the share of a given increment of net growth that trickles down to the poorest is markedly less than was the case even a couple of decades ago, prior to the current surge of economic globalization (Woodward and Simms 2006). At some point we should stop believing that post-liberalization deterioration in income distribution is simply a predicted transitional adjustment that will right itself over time and begin to suspect a mis-specified parameter in the basic model (cf. Kremer and Maskin 2003). Unfortunately, neoclassical economic models have been slow to be modified by “anomalous” empirical outcomes. This does not necessarily mean that trade opening, if it raises overall productivity, is a bad idea. It does suggest that distributional issues need to receive sustained and sophisticated attention.

Another source of the present academic dissensus on trade derives from the negotiating positions of advanced industrial countries in the World Trade Organization. The United States and other wealthy states, whose preferences are driven by their governments' perceptions of national

interest, seek to enhance the rights of transnational investors by strengthening patent protection, forbidding government preferences to domestic producers, and conceptualizing selective industrial policy as illegitimate (Armijo and Echeverri-Gent 2005; Sell 1998, 2003). Yet property rights protections for foreign investors are not part of the neoclassical theoretical case for free trade. And once poor countries adopt such restraints, they are preemptively barred from employing practices once used by today's developed countries during their eras of early industrialization (Chang 2002, 2003). The trend in international trade negotiations is toward an increasingly intrusive set of global rules that would make it harder for Latin American states and their elected leaders to make many of the national economic promotion decisions that the authors in all five of the volumes under review advocate (cf. Birdsall, Rodrik, and Subramanian 2005; Abreu 2005). A presumption in favor of free trade need not imply an uncritical acceptance by Latin Americans of the flavor of international trade regime preferred by the core industrial economies. The bottom line is that we need more interdisciplinary debate on trade.

A third topic deserving of further attention is that of the relationship between economic development, on the one hand, and the growth of civil society, social movements, and political democracy, on the other. There is an exquisite tension between capitalism, an economic system that is a marvel of decentralized efficiency yet thrives on and arguably requires unequal returns, and democracy, a political system that exalts the ordinary citizen, values inclusive process over goal achievement, and at its best operates to tame capitalism and blunt inequality. It hurts to ask, but does the premature advent of mass democracy delay material progress? Though they prefer democracy to authoritarianism on normative grounds, scholars such as Kohli and Davis empirically associate mass democracy in poor countries with indiscipline and populism, as under Juan Perón (cf. Dornbusch and Edwards 1991). Other Latin Americanists have been at pains to demonstrate that democracies are not worse than authoritarian regimes at economic reform, particularly when key state economic bureaucracies can be insulated from short-term distributive pressures in order to pursue longer-term collective interests (Geddes 1994).

High Latin American inequality may reflect the historic weakness of democracy and of the political left in the region (Rueshemeyer, Stephens, and Stephens 1993; Huber 2005). Will contemporary popular movements and political democracy blunt savage capitalism, eventually decreasing inequality? Harry E. Vanden; Luca Fanelli and Sarah Sazynski; and Richard Harris himself (in Harris, ed.) are hopeful, though these authors focus on analyzing the sources and trajectories of social protest and tend to assert rather than demonstrate its effectiveness. In contrast, Joe Foweraker (in Wood and Roberts) observes that in Latin

America “the panorama of grassroots organizations has become ever more plural” (116), but doubts the actual policy influence of either social movements or non-governmental organizations. Several recent studies of developing countries in general suggest a different twist on the hypothesized but elusive “democratic advantage”: democracies have less volatile macroeconomic outcomes, and stable incomes are especially critical for the poor (Quinn and Wooley 2001; Mobarak 2005). Certainly, democratic elections provide options for disgruntled publics to express their frustration with economic policies—as with the late 2005 election of indigenous leader Evo Morales as president of Bolivia or the surprising sight in January 2006 of both second round Chilean presidential candidates, socialist Michelle Bachelet (Concertación) and conservative Sebastián Piñera (Alianza), running hard against the once-lionized private pension system. Although these issues remain contested, there are reasons to trust mass democracy’s ability to tame both capitalism and economic populism (cf. Armijo 2005).

These five books are intriguing for what they collectively reveal about the state of inquiry into the sources of hemispheric progress. On balance they demonstrate a faith in markets governed by judicious, transparent, yet self-consciously “developmental” states—and in political leaders chosen by and accountable to their societies. Let us see.

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