Review of "The Market and the Masses in Latin America," "Social Protection and the Market in Latin America," & ...
How have state, market, and society relations changed in Latin America under the new order hewn by neoliberalism? Have market-based reforms and pro-globalization policies delivered the promised revitalization of economic development, deepened democracy, and improved social well-being? If so, then how do we explain the leftward political shift experienced after 2000 and the emergence in many countries of “neoliberal contention” in the form of mass social protests? Each book under review provides an Ariadne’s thread that may be followed to successfully navigate the ever more complex maze of debates on the market’s role in contemporary Latin America.

Perhaps Andy Baker’s *The Market and the Masses in Latin America* proposes the most controversial thesis of the three: Despite the recent leftward political shift, Latin Americans decidedly support economic globalization and free-market reforms (with privatization being the sole exception). Turning the usual interpretation about the wave of leftist electoral victories on its head, he asks: “[D]id Brazilians choose a leftist in 2002 because they were experiencing reform fatigue? Or did they choose a former leftist because of his promises to keep market policies in place? In short, did most voters in Brazil want to see the continuation or reversal of market reforms?” (p. 5). Baker’s suggestive hypothesis is that if one properly measures the cultural impact of mass consumption engineered by newly gained access to a greater variety of lower priced and status-granting imported goods made possible by market reforms, then the Center Left’s mandate in Brazil and Chile, as well as in other countries, should not be interpreted as being in opposition to neoliberalism. Furthermore, to properly measure such impacts, he advocates a piecemeal approach that differentiates among policies ranging from trade reform to pro-foreign-investment policies to privatization in general.

Although Baker resorts to an impressive arsenal of public opinion polls (which he makes available in an extensive appendix containing sampling sources and methods), his book is by no means empiricism in comparative politics “gone wild.” His argument is based on an ambitious methodological critique of contemporary public opinion research methods and frameworks. In the second section, “Mass Market Beliefs in Latin America” (Chapters 3, 4, and 5), Baker trains his microscope on cross-national surveys administered in 18 countries. Then, in the next section, “Mass Support for Reforms in Brazil” (Chapters 6, 7, and 8), he offers a highly detailed one-country case study, minutely dissecting public opinion data in Latin America’s largest nation. Though highly interesting for public opinion researchers, for the nonspecialist, Baker’s results are akin to the mouse that roared: “The most striking overall conclusion from these two sets of descriptive findings is that the best predictor of support for the Washington Consensus is not wealth but the policy being evaluated. The poor generally agree with the rich that globalization has been a positive change and that privatization has been a negative one” (p. 13).

Even if such results have lost much of their impact after 2000, Baker crafts a compelling analytical framework supportive of “a new bottom-up” approach recalibrated to reorient theory away from producer- and labor-oriented dynamics, refocusing it more sharply on “consumer-oriented” interests. This reorientation underscores the tectonic shifts in the dynamics of contemporary social conflict.

In *Social Protection and the Market in Latin America*, Sarah M. Brooks tackles institutional change in an increasingly globalized world, showing how despite economic globalization, the sphere of politics remains relevant as evidenced by the many shortcomings of market forces to drive societal reform. Nimblly combining different theoretical approaches and levels of analysis, and offering a creative research methodology, her book is a well-written text that both students and established scholars will find highly rewarding.

Starting off from the notion that radical transformations in risk-pooling structures are of high political and economic significance, Brooks attempts to solve the puzzle of why governments of the most varied political orientations in more than 30 countries have actively embraced the privatization of their social security systems. Three interrelated questions organize her efforts: How do forces that once supported the institution of public social security come to allow for, and even later promote, path-departing change? What endogenous forces lie behind institutional change in such a seemingly path-dependent context as the state’s pension system? And how does the partisan structure of political conflict influence the formation of legislative majorities capable of shepherding the privatization of social security? Boiled down to its essence, her overall research question is “Why do governments privatize?” (p. 5).

The dominant narrative widely disseminated up to the mid-1990s by international development institutions such as the World Bank (and still being proffered by conservative think tanks like the Cato Institute) stressed the economic rationality behind social security privatization—namely, how if only it were enacted, such privatization

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would correct rising fiscal imbalances, enhance labor market flexibility, deepen capital markets, and stimulate economic growth by raising the savings rate. Brooks counters such economic reductionism by arguing that social security privatization represents a transformation of a vastly more considerable scope and scale inasmuch as it constitutes, no more and no less than, “a shift in the ends,” and thus in the nature of the welfare state itself” (p. 9).

The first part of the book presents the state of current debates and empirical research regarding pension reform. In Part II, Brooks offers a detailed institutionalist approach to transformations of social security systems. Then, in Part III, she applies the framework to the concrete processes experienced in the region. For example, in Chapter 4, she compares pension reforms in Argentina, Brazil, Mexico, and Uruguay. In subsequent chapters, she strips away national specificities and focuses more on the systemic components of institutional change. Her last chapter argues why the new individualized market-based risk-management institutions should be considered as constitutive of a “new social contract.”

So what does Brooks offer to our understanding of social security privatization in Latin America? First, she presents compelling evidence that institutional changes are contingent and subject to contestation and strategic behavior, and that agency in such conflicts is not unbounded. Second, on the basis of the case of Augusto Pinochet’s Chile, Brooks comes out strongly in support of the crucial role played by political actors. It is contestation mediated by politics, not by technocratic reason, that is capable of producing the feasibility, legitimacy, and, ultimately, the long-term sustainability of institutional reforms. Economic globalization, with dual-barreled constraints and incentives, clearly shows the short legs of technocratic reason and market forces “disembedded” from the institutional, social, and cultural context. Brooks’s work allows us, then, to understand why center-left governments, such as those of Brazil and Chile, have promoted the privatization of social security.

Finally, the volume edited by Stephan Klasen and Felicitas Nowak-Lehmann compiles a well-selected collection of innovative studies on how inequality is reproduced over time, as well as in different spatial scales and policy contexts. The variety of topics and approaches in Poverty, Inequality, and Policy in Latin America converges in challenging the Kuznetsian notions, avidly endorsed in past decades by dogmatic neoliberals, that an inevitable trade-off and lag exist between economic growth and equity. Each chapter suggests the contrary, depicting many facets concerning how inequality is costly for society in terms of persistent poverty and sluggish economic growth. The goal of the volume, according to its editors, is to highlight “the reverse causality—that is, the impact of inequality on the development process” (p. 1).

The first contribution of the book is its insights on how the historical distribution of assets, spatio-regional inequalities, and policies targeting “inequality of opportunities” can be entry points for a new understanding of changing relations between poverty and inequality in Latin America. More specifically, it puts on the table issues that have not received enough attention, such as how regional inequality and “spatial poverty traps” can mire regions in long-lasting immiserization, even more relevant as decentralization becomes a central component of a new generation of neoliberal reforms. At the same time, the authors illustrate how new data sets and empirical tools can enhance the ability to measure the impact of specific policies on poverty and inequality.

The first section contains chapters covering “The Transmission of Poverty and Inequality in Latin America.” These include examinations of the colonial origins of inequality as rooted in land distribution, the relationship between earnings inequality and educational mobility in Brazil, and the relationship between race discrimination and inequality of opportunities in Brazil. The volume’s second section explores the “Spatial Dimensions of Poverty and Inequality in Latin America.” Here, the relationship between consumption growth and spatial-poverty traps in Peru is analyzed, as are the spatial externalities between neighboring Brazilian municipalities.

The last section, entitled “Economic Policy, Poverty and Inequality in Latin America,” presents detailed studies about the impact of specific policies. Chapter 6 uses a computer-generated equilibrium (CGE) approach to examine the macroeconomic and distributional effects of devaluation in Bolivia’s dollarized economy; the conditional cash-transfer program, Oportunidades, and its impact on Mexico’s rural youth is discussed in Chapter 7. Finally, the impact of Brazil’s tax-benefit system on inequality and poverty is examined in Chapter 8.

Each of the reviewed books suggests that contemporary problems in the comparative politics and international political economy of Latin America can no longer be fully grasped with the analytical approaches of the past. These authors move forward in interesting directions the debate on the market’s role in Latin America, but unfortunately, they do not go far enough. The issues addressed cannot be explored fully without a more substantive discussion of the ways in which power and power relations are being constituted as well as contested in contemporary globalized and transnationalized Latin American societies.

In his final chapter, Baker suggests that thanks to free-market reforms, Latin America is headed toward a situation in which class-based social conflict disappears, replaced by consumer-based conflicts over tastes. Baker’s celebratory tone about the market’s civilizing role contrasts sharply with Karl Polanyi’s analysis of the “self-regulating market” and how its social embeddedness historically gives rise to massive societal conflicts. Indeed, consumismo has been
fueled by the rising role of consumer debt, economic and media concentration, and financialization not only of the macroeconomy but also of daily life itself. And as we have seen recently in mobilizations in Chile, Colombia, Puerto Rico, and Montreal, as well as in the United States, the forces supporting consumismo can engender conflicts of a much vaster scope and scale than those considered by Baker.

For all its strengths, Brooks’s book also evinces the lethargic pace with which incremental change can move the boundaries of previous analytical approaches. Given that she argues that the privatization of social security involves not the retreat but the veritable restructuring of the goals of the state, one would expect a more substantive account of the ways in which these transformations connect with a changing correlation of social forces in society, shifts in class structure, and the rise of finance capital in order to explain more systemically what impels state transformation. Instead of linking privatization to structural changes, she suggests paying greater attention to the performance of systems and the credibility of politicians, and to the twin dynamics of retrenchment and distribution. No real emphasis is placed on qualitative changes, such as the growing hegemony of finance capital or the growing control of assets by transnational investors. Thus, Brooks manages to “bring back” politics and institutional dynamics into the analysis at the same time that these are delinked from the actually existing dynamics of power and how it operates in society.

Klasen and Nowak-Lehmann’s compilation of research marshals new data and empirical techniques in order to gauge and examine poverty and inequality in Latin America with new eyes. Yet their explorations remain imprisoned by the frame of “equality of opportunities,” neglecting the contemporary impact of redistribution of assets, or an in-depth examination of the nature of the accumulation process itself or of the economic model. Certainly these are important issues increasingly being put on the agenda by a growing number of Latin American academics and social movements.

In their own manner, each of these books enriches the debate on the market’s role in Latin America society. All three are appropriate for advanced undergraduate and graduate classes in comparative politics, international political economy, and Latin American studies. Each author blazes fruitful lines of research and recasts theoretical debates on the role of the market and its relationship to the state and society. Can these new dynamics be fully understood by analytical frameworks that innovate at the margin, or, rather, is a more radical paradigmatic shift required? This is the unintended question that stems from the impressive work of these scholars. What is certain is that scholars will continue to debate how best to understand this vibrant region where neoliberalism’s “creative destruction” has reshaped society, politics, and economies, for, in restructuring Latin American capitalism, neoliberalism has also given new life to efforts to transform it.


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Not even Léon Walras, the first economist who seriously tried to model an economy guided by an invisible hand, believed that it describes our actual world (see *Elements of Pure Economics* [1874] 1954, trans. William Jaffé, pp. 256–57). In the imaginary best of all possible worlds, individuals maximize utility as they conceive it, all characteristics of goods are transparent, contracts covering any future contingency are honored, no one has power to distort market prices, and everyone is paid his or her true productive value. But the Walrasian ideal anchors the powerful neoclassical paradigm. The paradigm treats our world as a series of “imperfect” departures from that ideal, as monopolistic firms raise prices or lenders cannot discern borrowers’ real intentions, as coalitions organize to grab subsidies or politicians spend to buy support.

A vast range of investigators—institutionalists, Marxists, some Keynesians, and the list goes on—hold that the Walrasian perfect-market model provides a fundamentally invalid framework for understanding market and society. Kaushik Basu and Daniel B. Klein jump into this fray from opposite sides. In *Knowledge and Coordination*, Klein charges economists with reducing Adam Smith’s moral and pragmatic vision of the invisible hand to barren techniques. He would reinvigorate an eighteenth-century liberalism. In *Beyond the Invisible Hand*, Basu embraces the neoclassical paradigm but charges that what he calls the “Invisible Hand Theorem” (p. 19) is applied far too literally. Considering how often modeling actual situations requires dropping perfect-market assumptions, he argues that the invisible hand fails in a far broader set of circumstances than is generally recognized.

The failures of the invisible hand that Basu evokes usually involve the norms of a group, a race, or a society. He uses game theory, which departs from the perfect-market model in considering a limited number of actors who individually influence results. He shows how small differences among them can lead to radically different group outcomes. For example, in Chapter 6, he shows how a group can develop cooperative norms, such as respecting contracts—so crucial for economic development—or uncooperative norms, such as habitually ignoring contracts. The difference may lie not in the typical individual’s characteristics but in whether the “game” the group plays gravitates
Social protection policies can be defined as the sum of two types of policies: social assistance and social insurance. Social insurance policies are used by governments to correct insurance market failures, and ensure consumption smoothing; they usually consist of pensions and unemployment insurance. Social assistance aims to reduce poverty and address equity issues; these programs include conditional cash transfers (CCTs). In Latin America, social insurance is predominantly the reserve of citizens in formal employment, while those in the informal sector must make do with social assistance. There is an explicit understanding that social insurance policies are preferable, since they offer protection and planning against life’s vicissitudes and inevitable old age. Institutions strongly affect the economic development of countries and act in society at all levels by determining the frameworks in which economic exchange occurs. The unequal landownership system in Latin America (latifundios) has been indicated a fundamental cause of its underdevelopment. There is evidence that it limits the development of greater rural employment and higher rural incomes (World Bank, 2008, ch 6). ECLA, the Economic Commission for Latin America, has repeatedly flagged the importance of land reform in the process of poverty-reducing agriculture and rural development. Informal institutions lie at the basis of an economy. They include public agencies, trade unions, community structures and professional associations. Social protection and labor systems buffer individuals from shocks and equip them to improve their livelihoods and create opportunities, building a better life for themselves and their families. It proposes an approach to worker protection and social security that is better adapted to an increasingly diverse and fluid world of work. EMPLOY. Social protection helps people become productive and realize their human capital.