THE POLITICAL ECONOMY OF MARKET REFORM AND A REVIVAL OF STRUCTURALISM

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INSTITUTIONAL REFORMS: THE CASE OF COLOMBIA. Edited by Alberto Alesina. (Cambridge, MA: MIT Press, 2005. Pp. 420. $75.00 cloth, $35.00 paper.)

MIRACLE FOR WHOM? CHILEAN WORKERS UNDER FREE TRADE. By Janine Berg. (New York: Routledge, 2005. Pp. 208. $75.00 cloth.)

PRIVATIZATION IN LATIN AMERICA: MYTHS AND REALITY. Edited by Alberto Chong and Florencio López de Silanes. (Stanford: Stanford University Press, 2005. Pp. 380. $75.00 cloth, $35.95 paper.)

ECONOMIC CRISES AND ELECTORAL RESPONSES IN LATIN AMERICA. By Fabián Echegaray. (Lanham, MD: University Press of America, 2005. Pp. 216. $31.00 paper.)

FREE TRADE AND THE ENVIRONMENT: MEXICO, NAFTA, AND BEYOND. By Kevin P. Gallagher. (Stanford: Stanford University Press, 2004. Pp. 136. $45.00 cloth, $17.95 paper.)

FREE MARKET DEMOCRACY AND THE CHILEAN AND MEXICAN COUNTRYSIDE. By Marcus J. Kurtz. (New York: Cambridge University Press, 2004. Pp. 264. $70.00 cloth.)

THE LIMITS OF PROTECTIONISM: BUILDING COALITIONS FOR FREE TRADE. By Michael Lusztig. (Pittsburgh: University of Pittsburgh Press, 2004. Pp. 288. $27.95 paper.)

BEYOND REFORMS: STRUCTURAL DYNAMICS AND MACROECONOMIC VULNERABILITY. Edited by José Antonio Ocampo. (Stanford: Stanford University Press, 2005. Pp. 296. $75.00 cloth, $35.95 paper.)

LA INTEGRACIÓN ECONÓMICA Y LA GLOBALIZACIÓN: ¿NUEVAS PROPUESTAS PARA EL PROYECTO LATINOAMERICANO? Edited by Alicia Puyana. (Mexico City: FLACSO & Plaza y Valdés, 2003. Pp. 349.)

SOCIAL MOVEMENTS AND FREE-MARKET CAPITALISM IN LATIN AMERICA: TELECOMMUNICATIONS PRIVATIZATION AND THE

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RISE OF CONSUMER PROTEST. By Sybil Rhodes. (Albany: State University of New York Press, 2005. Pp. 228. $55.00 cloth, $19.95 paper.)

The surprising wave of market reforms that swept across Latin America during the 1980s and 1990s has profoundly affected the region's economic, social, and political development. For instance, drastic trade liberalization has exposed important branches of industry to serious competitive challenges while commodity exports have flourished; countries' patterns of international economic specialization have therefore changed. The resulting dislocations have exacerbated employment problems and further aggravated social inequality, a longstanding problem in the region. Economic crises and increasing social informality in turn have contributed to political convulsions such as the collapse of party systems and the rise of neopopulist leaders. On the other hand, however, high and higher inflation, a scourge for decades, has been brought under control; economic recovery has reduced poverty in the mid-1990s and the mid-2000s; and democracy, which looked shaky in the 1980s, has survived the tremendous socioeconomic and political troubles and travails of the last two decades.

How can scholars make sense of these mixed results? Do the benefits outweigh the costs of "neoliberalism" or is the net balance negative? Are the problems that Latin America's new market economies have faced inevitable byproducts of the reform model or the results of preventable mistakes during implementation that an additional round of reforms can remedy? And what theoretical conclusions can scholars draw from the actual performance of the new market model, which has been significantly weaker than promised by neoliberal experts, but not nearly as catastrophic in its economic, social, and political repercussions as predicted by hard-line critics?

In theoretical terms, advocates of market reform believed in the power of agency: they expected that "getting the prices right" and, more recently, "getting the institutions right" would restart Latin America's development, end persistent stagnation, and usher in a new era of prosperity. Thus, well-designed reforms enacted by bold political leadership would bring profound change for the better. This optimistic viewpoint assumes that economic, social, and political life is susceptible to voluntaristic manipulation. Since people are seen as responding in a rational, predictable way to incentives and constraints, change can be engineered through a deliberate transformation of the framework of rules and institutions. Neoliberal experts therefore pushed fairly uniform programs on a wide range of countries, believing they would work in these divergent settings.

This rationalistic, agency-oriented position diverges drastically from structuralist views that Latin America's development faces serious hindrances from largely immutable socioeconomic and political characteristics that limit the applicability of universalistic recipes. These obstacles

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arise from the region's asymmetrical insertion in the global capitalist order and from domestic class divisions, which cause structural heterogeneity in the economy and domination and oppression in society and politics. In this view, the domestic and international economy is far from being a level playing field. Market forces therefore operate in systematically distorted ways, privileging the few while exploiting the majority of the population. The resulting social rifts and political tensions can weaken and undermine the stability and quality of democracy. Accordingly, economic liberalization threatens to intensify rather than alleviate Latin America's development problems. These problems and risks differ in acuteness and intensity, depending on the structural characteristics of specific countries.

The scholarly and political debate between these two contending positions has raged for many decades. With the shifting fate of Latin America's economies, societies, and polities, each view has cyclically gained or lost adherents. Capping the predominance of economic liberalism since the mid-nineteenth century, the Great Depression gave the structuralist position a boost. With the debt crisis of the 1980s, the agency-oriented view resurged. As neoliberalism achieved hegemony in academic and policy circles, traditional versions of structuralism lost support, and a much more market-friendly "neostructuralism" emerged. But because market reforms have fallen short of expectations and because the social and political dislocations resulting from drastic change have become obvious, a rethinking has begun: as several of the books under review show, structuralism (in its more original version) is making a comeback, not only in sociology and political science, but even in economics. The present essay documents this renewed swing of the pendulum.

The volumes edited by Alberto Chong and Florencio López de Silanes and by Alberto Alesina and the books written by Michael Lusztig and Kevin Gallagher exemplify the agency-oriented paradigm: economists emphasize the benefits of neoliberal change and respond to the increasingly obvious problems by advocating further reforms; and political scientists explain the adoption of structural adjustment by highlighting political leadership, which economists need to enlist for enacting the additional changes they advocate. By contrast, the collections edited by José Antonio Ocampo and by Alicia Puyana and the books by Janine Berg and Marcus Kurtz stress the economic, social, and political problems caused by Latin America's "great transformation," which they attribute to a large extent to structural problems in domestic economy and society and the inequality and hierarchy pervading the international system. The present essay reviews these debates, focusing on economic, institutional, social, and political issues in turn. What are the strengths, what are the weaknesses of the contending approaches?

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NEOLIBERAL ECONOMICS: BENEFITS AND PROBLEMS

Neoliberal economists sought support for their drastic recipes by promising long-term gain for short-term pain. While imposing immediate losses, structural adjustment and market reform would soon unleash sustained growth, as Chile experienced it from the mid-1980s onward. Therefore, majorities of citizens in many Latin American countries initially supported or accepted drastic, painful change. But when economic recovery quickly petered out and gave way to new rounds of austerity and belt-tightening, the popular mood began to turn increasingly sour. As the annual Latinobarómetro data show, more and more people report dissatisfaction with the new market model and criticize structural reform measures such as the privatization of public enterprises and services.

To stem this rising tide of criticism, Chong, López de Silanes, and their collaborators seek to document the benefits of privatization with a wealth of empirical data. Applying rigorous statistical methods, they analyze the experiences of Argentina, Bolivia, Brazil, Chile, Colombia, Mexico, and Peru and demonstrate that the ownership transfer produced a host of economic benefits. Efficiency and profitability increased as privatized firms modernized their production processes and shed unnecessary workers, who had often been hired for reasons of political patronage. These improvements did not result from the exploitation of consumers; the prices of products and services did not rise much after privatization. Instead, society benefited. As sales volumes expanded significantly, new groups of consumers—especially less-well-off sectors—for the first time gained access to goods and services from which they had been excluded before. For instance, waiting times for new telephone lines plummeted. The state also gained from privatization, not only through direct sales revenues, but also through diminished subsidy payments and increased tax income. The authors do not deny that some privatization efforts ran into problems or led to failures, but they attribute these difficulties to mistakes in implementation, which can be remedied through better regulation and can be prevented in future reform initiatives.

Unusually coherent for an edited volume, the book is impressive in its wealth of data and its careful, thorough empirical analyses, which control for several confounding factors. The investigation is largely convincing in what it does. But it is limited in its economic perspective and its exclusive reliance on quantifiable data and statistical methods. For instance, whereas significant increases in enterprise profitability impress the experts who conducted these studies, the broader public may wonder why these efficiency gains were not shared with consumers via reductions in prices (170, 174, 202, 247, 357, 447). Also, the authors do not discuss the issue of ownership: In Argentina, Chile, and Mexico, for instance, many state-owned firms were sold—at rather low prices—to business groups that used their personal connections with political leaders and

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even their willingness to pay bribes to occupy rich profit niches. This nontransparent process of ownership transfer often tainted privatization in the eyes of the public. Thus, while the evidence presented in the Chong and López de Silanes volume demonstrates important economic benefits, it does not convincingly address the social and political concerns of privatization critics.

Whereas Chong, López de Silanes, and their collaborators apply a neoclassical approach, Ocampo and his contributors seek to revive the structuralist framework pioneered by the United Nations Economic Commission on Latin America and the Caribbean (ECLAC) in the 1940s. Hegemonic in the region until the debt crisis of the 1980s, ECLAC thinking was put on the defensive by the subsequent neoliberal assault. In fact, ECLAC itself in the 1990s adopted a "neostructuralist" position that accepted economic globalization but sought to upgrade Latin America's insertion into international trade and investment networks, especially through exports of higher value added; this would create the economic preconditions for alleviating poverty and inequality. This hopeful position, captured in the slogan "growth with equity," assumed that prudent and responsible state intervention could overcome trade-offs between economic and social goals; it thus modified traditional structuralist assumptions with a strong dosage of agency-oriented thinking.

But the unfulfilled promises of the new market model and the persistent problems plaguing Latin America's post-reform economies are casting doubt on neoliberalism as well as on neostructuralism, and they are triggering a cautious resurgence of more traditional structuralist theorizing. *Beyond Reforms* offers a wide-ranging, ambitious introduction to this revival, which goes back to older ideas about structural heterogeneity, profound social inequality, and other stubborn hindrances to socioeconomic progress, both at the domestic and the global level.

Specifically, this important book highlights asymmetries and hierarchies in the global economic system that constrain the development of Latin American countries. For instance, the persistent technology gap with developed countries has confined the region to specializing in knowledge-poor types of production and has thus created a low-growth trap (47, 62–63). In fact, many Latin American countries have experienced rapid deindustrialization; the Southern Cone, in particular, has returned to specialization in commodity exports, which hold limited promise for increasing national prosperity (71–116). Moreover, several authors emphasize the structural heterogeneity of Latin American economies and societies that limit the beneficial effects of market reforms. For instance, Rob Vos stresses the contrast between "efficiency gains in some sectors (particularly manufacturing and modern services)" and "the expulsion of [unskilled] labor to low-productivity sectors (traditional agriculture or informal services)" (138).

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Yet while offering interesting findings and insights on a number of important issues, the volume is heterogeneous in the specific topics it covers and disparate in its organization. It certainly does not add up to a systematic, comprehensive presentation of the revived version of structuralist thinking. Moreover, the analysis remains at a high level of abstraction and confines itself to diagnosing current problems; the authors advance few proposals for resolving these problems. In fact, would significant change be feasible or do the structural conditions examined by the authors condemn Latin America to a suboptimal pattern of economic and social development? By leaving this question unanswered—indeed, unasked—the Ocampo volume reflects a common characteristic of more traditional structuralist approaches: the emphasis on the structural determinants of problems seems to leave little room for the improvements that the authors' normative leanings suggest. The revived version of structuralism seems rather pessimistic: given the heavy weight of unfavorable structural factors, can agency make a substantial difference for the better? Contemporary structuralists—that is, post-neostructuralists—seem to concentrate largely on understanding the world rather than changing it.

The analysis of Latin American economic integration assembled by Alicia Puyana provides further evidence of structural problems that preclude the fulfillment of neoliberal promises, especially of the expectations attached to the economic association of developed and developing countries via NAFTA. The editor's introduction and the comprehensive investigation of Mexico's trade by José Romero emphasize the disappointing growth performance of the new development model (17, 67, 89). Puyana and Jorge Horbath demonstrate that the share of intra-industry trade in Mexican commerce did not increase with trade liberalization and NAFTA (122). Blanca Torres argues that the developmental gulf between the United States and Mexico hinders the resolution of environmental problems (335, 346). Thus, stark structural divergences and power differentials limit the pay-offs of economic integration in North America. By contrast, the association of countries at more similar development levels via MERCOSUR looks more promising, as the chapters by Renato Bauman and by Graciela Bensusán and Landy Sánchez argue.

But of course, MERCOSUR has run into a host of economic and political problems, and its limited economic size is overshadowed by the attractiveness of the huge U.S. market, which has induced more and more South American countries to seek bilateral free-trade agreements with the colossus of the North. As the structuralist message developed by Puyana and her contributors may be drowned out by simple economic factors highlighted by neoliberals, NAFTA rather than MERCOSUR may be the future of the region. Structuralist warnings may carry little weight for decision-making agents.

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In purely academic terms, the Puyana book offers a wealth of useful information and solid analysis. But it covers a wide variety of topics—from Mexico's trade relations to Argentina's convertibility scheme and to labor issues in the European Union; it includes many data-rich empirical chapters as well as purely theoretical, even speculative pieces. As a result of this heterogeneity, the book does not evince a high level of coherence; the absence of a conclusion that could weave the different strands together is especially unfortunate.

The complexity and diversity of structuralist thinking, which is evident both in the Ocampo and the Puyana volumes, limits the academic appeal of this school somewhat; neoliberalism by contrast has benefited from its deductive coherence and internal unity. The price of this parsimony is, however, the neglect of social and political factors, which the analyses in Ocampo and Puyana correctly highlight. Thus, the age-old structuralist/liberal debate entails significant trade-offs; neither approach is better on all scholarly dimensions. The return of structuralism among economists complements alternative approaches and enriches the academic conversation, but it is unlikely to supersede agency-oriented frameworks.

THE ROLE OF INSTITUTIONAL MECHANISMS AND POLITICAL LEADERSHIP

In response to the deficits plaguing neoliberalism in Latin America, many economists and development specialists have in recent years highlighted institutional factors. As "getting the prices right" did not produce the expected results, they have paid increasing attention to context factors that help account for these disappointing outcomes. By shaping the incentives and rewards for economic efforts, institutions such as the rules for protecting property rights and the laws governing the labor market seem to be of special relevance. Adherents of neoliberalism have therefore shifted their reform recommendations to "getting the institutions right." They have advocated an ever wider range of changes, including checks and balances on the government to protect business from confiscation; the control of corruption; and efforts to combat crime, which scares away investors.

Applying this perspective, Alberto Alesina and colleagues offer a comprehensive analysis and reform program for Colombia. This country had for decades achieved a record of fiscal prudence, economic stability, and sustained growth that was unusual for Latin America. But soon after enacting a determined program of market reforms in the early 1990s, Colombia suffered a painful recession. What went wrong? Did the opening to the world economy expose the country to volatility and thus create more problems than it resolved? Or did these unexpected economic problems result from political turmoil, especially the challenges of guerrilla warfare, drug trafficking, and widespread crime? Did the

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new constitution of 1991 undermine economic performance by increasing social benefits and public spending in an effort to combat these political problems? And what political-institutional changes could help to get these difficulties under control and insulate the economy from their deleterious repercussions?

To answer these questions, Alesina and his high-caliber collaborators conduct an admirably thorough and comprehensive analysis of Colombian development during the last fifteen years. Systematically organized,[1] the volume first establishes that Colombia's market reforms did have positive economic effects. They "greatly contributed to growth" (50) and boosted productivity and investment (chapter 2). In the authors' view, neoliberalism is not responsible for Colombia's recent troubles and travails.

The problems instead emerged from the threats posed by guerrilla warfare, drug trafficking, and common crime and the efforts to open up Colombia's ossified political system through the charter of 1991, which sought to accommodate a wide range of societal sectors and therefore guaranteed unrealistic benefits to a multitude of interest groups. The contributors highlight the negative consequences of the new constitution, which, for instance, produced a large, unsustainable increase in fiscal spending (3–5, 66–67, 75–77, 91, 97, 176, 203, 338). They also see the inclusionary effort as futile: Despite the new constitution, guerrilla violence and common crime increased significantly during the 1990s, imposing tremendous costs on economy and society (10, 56–66, 97, 108, 113, chapter 5).

To combat these problems and recover economic and political stability, the authors propose a long list of institutional reforms. They advocate full independence of the central bank; a clearer division of responsibilities in fiscal federalism; stricter budget rules; fast-track procedures for economic policy-making; better targeting in social programs; electoral reform to limit political fragmentation and clientelism; and a streamlining of the judiciary to ensure more reliable punishment of criminals. Many of these changes seem designed to restore technocratic autonomy, which had guaranteed Colombia's good economic performance from the 1960s to the 1980s, and to insulate economic policy-making from political pressures.

This technocratic reform program requires a shift in Colombia's strategy for combating crime, drugs, and guerrilla violence, namely a move away from the inclusionary approach of the 1991 constitution and an effort to reaffirm state authority with more forceful means. In general, wide-ranging institutional change necessitates determined political agency. A strong leader such as current President Alvaro Uribe can be most effective in enacting reform; in fact, he has already implemented some of the changes proposed in the Alesina volume.

1. The volume is marred by an unusual number of typographical errors and mistakes; it would have benefited from basic editing.

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But as the experience of President Alberto Fujimori in neighboring Peru suggests, leaders who have the political strength to reshape institutions may not have the interest in consolidating the new framework of rules, which can hem in their own latitude and power. Thus, bold institutional change may do more to destroy existing patterns than to rebuild and institutionalize new rules. The trust in political agency embodied in the Alesina volume thus creates significant risk. Agency unbound may turn out to be deleterious to the consolidation of a new institutional framework.

Moreover, the institutions that are directly subject to change are formal parchment rules. But it is unclear whether political and economic actors will actually follow the new rules. Given the predominance of informal patterns and mechanisms in Latin America, many a law has barely been worth the paper it was written on. Thus, new rules designed by technocratic experts and enacted top-down by powerful leaders may well not resolve Colombia's problems. To establish the legitimacy of the new rules and induce a good deal of voluntary compliance, a more inclusionary political strategy may be necessary. Building political consensus may sooner or later require reaching out, as the 1991 constitution sought to do—but Alesina and his colleagues condemn this approach (see also their criticism of decentralization and participatory approaches on page 278, 320, and 324–25). Thus, in its call for institutional reform, this interesting and important volume leaves open the typical questions facing agency-oriented approaches: Will political leadership be used for the right purposes? And can it engineer lasting support and thus consolidate its accomplishments?

Political agency and strategy also stand at the forefront of Michael Lusztig's interesting book. In an analysis of trade liberalization that could be extended to other types of market reform, he argues that once drastic change is enacted, opposition is often much weaker than expected. Important sectors of rent-seeking producers that prefer the safety provided by protectionism can in fact adjust successfully to competition if forced to do so. If governments credibly lower protection, these "flexible rent-seekers" concentrate on economic modernization to make the best of change, rather than fighting rearguard battles against policy reform. Therefore, governments can successfully eliminate trade barriers if deep economic crises or pressures from powerful international organizations preclude the concession of further rents; in fact, political leaders have a significant margin of maneuver to invoke such challenges and decree market reforms on their own initiative. While acknowledging structural factors, Lusztig stresses the importance of agency and formulates prescriptions for how to enact change. He thus shares the activist, reform-oriented perspective of the Alesina volume.

Lusztig's case studies of several Anglophone and Latin American countries yield substantial evidence that is compatible with his innovative

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theory. Business resistance to trade liberalization was indeed surprisingly weak in many Latin American countries, and the triggers invoked by the author—especially economic crises and external pressures—certainly help account for this fact. But given that Lusztig's argument postulates changes in the preferences and political posture of business, his empirical investigation, which has impressive breadth by covering eight different countries, is not quite sufficient in depth; penetrating analyses of business and its interactions with the government during the reform process would have been helpful. In empirical terms the book is suggestive but not conclusive.

Moreover, how large is the room for political agency? Lusztig acknowledges in his theory chapter and documents in the case studies that bold reform was mostly triggered by economic crises or external pressures—that is, structural factors. There seem to be no clear cases of substantial reforms being launched in the absence of these stimuli (53). No doubt governments have some room for discretion in responding to objective challenges, but Lusztig may overestimate the opportunities for strategic initiatives that are independent of such structural triggers. Notwithstanding these questions, the book makes for an unusually stimulating read with its counterintuitive argument.

Fabián Echegaray's solid volume complements the two books just discussed by probing the conditions under which determined political leaders can rise to government power. His thorough investigation of presidential elections in contemporary Latin America marshals a wealth of electoral and survey data. It demonstrates that people's vote choices are not determined by a narrow focus on short-term economic gains and losses; instead, citizens consider a variety of "decisional clues," namely ideology, class, partisanship, performance, leadership, and candidate quality (37–57, 88–93). Since personal qualities carry considerable weight, determined leaders can arise in Latin American democracies; and since immediate economic outcomes are not crucial for citizens' vote decisions, these leaders gain a good deal of latitude for enacting a range of economic reforms. Echegaray's volume, which paints a complex and eclectic picture of democratic elections, thus complements the Alesina and Lusztig books by documenting the political feasibility of the rise of determined agency in contemporary Latin America.

SOCIAL AND ENVIRONMENTAL REPERCUSSIONS OF NEOLIBERALISM

Whereas the volumes discussed so far focus on the adoption of market reforms and their economic effects, Kevin Gallagher and Janine Berg examine broader outcomes of neoliberalism. Gallagher investigates the repercussions of economic integration for the protection of the environment. He criticizes two arguments that invoke economic and structural

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factors to predict significant improvement and deterioration, respectively. The optimistic view embraced by neoliberal economists claims that after initially aggravating pollution, economic development soon shifts the composition of industrial sectors towards cleaner lines of production and triggers societal demands to get environmental degradation under control. But new data show that despite Mexico's fairly advanced level of economic development, pollution has increased after NAFTA came into effect; if income growth eventually reduces environmental problems, that turning point seems to lie years if not decades in the future. Therefore, policy-makers cannot rely on economic development to produce an environmental clean-up automatically.

At the same time, Gallagher criticizes the pessimistic argument that developing countries serve as pollution havens for "dirty" industries that flee from stricter environmental regulations in the First World. In line with structuralist views, this argument depicts Third World countries as the victims of Northern efforts to use differential power in an unequal global economic system for transferring harmful segments of the production process. But in Mexico, the weight of dirty industries in the economy has actually decreased with NAFTA. As Gallagher's research suggests, the costs of complying with environmental rules are too limited to influence the location decisions of multinational companies. This finding demonstrates that Third World countries have latitude for tightening regulations without the fear of scaring away foreign investors.

Because structural factors have limited explanatory power, Gallagher highlights the role of policy, that is, political agency. Buffeted by economic crises, Mexico has made the choice to cut fiscal resources for environmental protection. In Gallagher's view, this limited commitment is mostly responsible for increased pollution in Mexico. Yet while this analysis may be comforting to environmental activists, it remains underdeveloped in this excessively thin volume of a mere ninety-three pages of text. Gallagher confines himself to presenting some statistical findings, but fails to conduct case studies to uncover the underlying causal mechanisms. For instance, it would be important to investigate the investment decisions of multinational companies to obtain more reliable information on the role of environmental regulations. And a more thorough analysis of environmental policy-making in Mexico should have examined the economic and political-institutional constraints under which decision-makers operated. While public policy-makers certainly have some autonomy and choice, this range of maneuver is not unlimited. Yet Gallagher's slim book does not offer a precise, convincing account of the interaction of structure and agency.

What has the social impact of neoliberalism been? Many scholars have already investigated this crucial question, but Janine Berg makes a significant contribution with her careful, thorough case studies of

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the cosmetics industry and agroindustry in Chile. Based on her painstaking research, she demonstrates that the country's enviable growth boom over the last two decades has benefited workers surprisingly little. Certainly, technological upgrading spurred by intense foreign competition has helped low-skilled workers by boosting output and thus creating more jobs. But most of these jobs pay low wages, and this remuneration has not increased much over the years. As the Chilean miracle has produced concentrated benefits, social inequality has remained stubbornly high.

To account for these disappointing results in the frontrunner of neoliberalism, Berg points to structural and institutional factors, especially the unfair international division of labor and the disproportionate bargaining power of business vis-à-vis workers. Chilean industries are stuck "in the less profitable activities of international trade" (142), whereas First World companies control the more promising segments of the value chain, such as marketing, distribution, and retailing. Moreover, the flexibilization of the labor market and reduction in union power, which were imposed by the military regime and maintained under the new democracy, have prevented workers from making substantial wage gains.

With this latter argument, Berg stresses political-institutional factors: Market reform in Chile—in contrast to most other Latin American countries—was enacted by authoritarian fiat. In democratic settings such as Argentina and Brazil, neoliberalism did not suppress union power and dismantle protective labor regimes nearly as much. Thus, do the disappointing outcomes in Chile result from market reform as such, or from the brutal way in which it was decreed in Chile? Focusing on one country, Berg's in-depth investigation cannot disentangle the relative weight of structural vs. political-institutional factors and thus answer this important question. Yet despite this inconclusive result, this fine book should give pause to the admirers of the Chilean miracle.

THE POLITICAL REPERCUSSIONS OF NEOLIBERALISM

How has neoliberalism affected Latin American politics? Predictions on this important topic used to diverge starkly. Many political scientists and sociologists initially feared that the imposition of painful austerity programs and drastic structural change would endanger the very survival of democracy as popular protest against reforms would prompt repression and the return of authoritarian rule. By contrast, economists hoped that the reduction of state interventionism would lower political stakes and thus limit conflict; by freeing citizens from established mechanisms of elite control such as clientelism and corporatism, market reform would also allow for autonomous participation and a more vibrant civil society. In these ways, neoliberalism would secure democracy

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and improve its quality. Which one of these lines of prediction has been more on target, judging from the experiences of the last two decades?

Marcus Kurtz advances a provocative answer. In his view, the transformation of the development model has facilitated the sustainability of democracy precisely by weakening its quality. *Free Market Democracy and the Chilean and Mexican Countryside* argues that neoliberalism has disaggregated and atomized the rural population, prevented it from engaging in collective demand-making, and thus reinforced its dependence on agrarian elites. These rural power relations ensure significant electoral support for conservative parties. This stronghold in the countryside guarantees the political right enough influence at the national level that it can safeguard its core interests. Since the potential threat arising from more open, contentious politics in urban areas is therefore limited, social elites and conservative parties are willing to consent to democracy. The political stability of competitive civilian regimes in the neoliberal era therefore comes at the expense of the deficient quality of democracy in the countryside.

While Kurtz refers to a number of institutional factors in his complex explanation, he highlights the role of socioeconomic structures and power relations. His argument is rooted primarily in the structuralist tradition exemplified by the work of Barrington Moore, with whom Kurtz shares the special focus on socioeconomic inequality and political domination in the countryside. Due to these background characteristics, market reform produces distorted results in rural areas: Rather than enhancing choice, it reinforces dependence. It thus hinders poorer people from advancing their interests and making more radical demands. Yet this absence of challenges protects elites, which in turn induces these power holders to accept political competition and freedom of choice. Thus, democracy survives because it is defanged; elites agree to the political uncertainty institutionalized in democracy because this uncertainty is narrowly bounded and the political stakes are relatively low. Typical of structural arguments, Kurtz emphasizes socio-economically based conflicts and power relations, in addition to institutional factors.

This well-researched, theoretically sophisticated, and thought-provoking study is the best book published on the political repercussions of neoliberalism so far. It pays sustained attention to the rural sector, which has been largely neglected both in the literature on democratization and on market reform. The main argument is novel, yet grounded in a major scholarly tradition, which in recent years has been marginalized by the advance of rational-actor approaches in political science. Kurtz usefully revives structuralist thinking, and he impressively weaves the different components of his argument together into a systematic, coherent framework. His book is a model of cutting-edge scholarship on a central topic in political economy, namely the tension-filled relationship of democracy and the market.

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But Kurtz is perhaps too firm in his counterfactual assumptions. The arguments about the atomizing effects of neoliberalism imply that in the absence of drastic market reform, the rural population would likely engage in collective action and determined demand-making. This premise is probably inspired by the experiences of Chile, where massive political mobilization and radical reform efforts swelled up in the late 1960s and early 1970s (101–5, 119–20). But this hyper-politicization was highly unusual; given well-known collective action dilemmas, quiescence in the countryside is the more normal state of affairs. Thus, one wonders whether neoliberalism really had the substantial causal effects that Kurtz, anticipating this question (119–22), seeks to prove? Moreover, his main argument is clearly derived from the Chilean case and seems to fit Mexico less well; for instance, how "neoliberal" was the PRI in the Mexican countryside, where it sought to protect its longstanding electoral strongholds with the traditional mechanisms of clientelism and corporatism and therefore implemented less drastic change than the Chilean military regime did? Notwithstanding these questions, Kurtz's book is highly recommended to *LARR* readers.

Sybil Rhodes complements Kurtz's focus on the countryside by documenting the rise of urban consumer movements. Whereas neoliberalism seems to depress rural collective action, it can have the opposite effect in cities by stimulating novel forms of demand-making. As the high promises with which governments promoted privatization remained partly unfulfilled, some of the official sovereigns of the market economy ("customer is king") began to clamor for redress. As Rhodes convincingly demonstrates, consumer activism therefore burst onto the scene during the neoliberal era, especially where democracy allowed for political mobilization. The contrast between Chile, on the one hand, and Argentina and Brazil, on the other, demonstrates the impact of political regime as a permissive cause of consumer protest. Moreover, Argentina's drastic, rash privatization that paid insufficient attention to regulatory issues triggered more contentious mobilization than Brazil's more carefully designed and implemented reforms.

As this well-researched, systematic study shows, market reform may atomize some sectors, but it can spur collective action among others. Rhodes' insight (3–7) that neoliberalism itself stimulated this new form of mobilization by highlighting the role of consumers (whereas the old nationalist, state-interventionist development model had privileged producers) is especially interesting. The author recognizes, however, that the new consumer movements do not compensate for the decline of more established forms of collective action, especially trade unions, which in many countries suffered great losses in membership and organizational strength due to economic crisis and structural adjustment (24). Thus, even in urban areas, the net impact of neoliberalism on political participation

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and popular demand-making may be negative: It may overall depress the vibrancy of civil society, at least in the short and medium run.

Therefore, neoliberalism may on balance depress the quality of democracy in Latin America. While catastrophic predictions of the destruction of civilian competitive rule have clearly not come true, the hopes that market reform would stimulate more active and autonomous political participation have also remained unfulfilled. Instead, neoliberalism seems to have aggravated the malaise that has affected Latin American democracies and that has been evident in high levels of distrust of politicians, political parties, and parliaments. The type of structuralist argument advanced by Marcus Kurtz makes an important contribution to understanding this middling result.

CONCLUSIONS

The present essay demonstrates that socioeconomic structuralism is making a comeback in the study of Latin America's political economy. Since the 1980s, agency-oriented approaches had been on the ascendance. In the field of economics, the debt crisis and the collapse of the nationalist, state-interventionist development model had stimulated the spread of economic liberalism. In political science, rational-actor approaches had advanced, due to trends in the broader discipline and to the wave of democratization in Latin America, which put political competition via parties and elections in the limelight.

In this new intellectual climate, socioeconomic structuralism lost adherents as a framework of academic analysis and explanation; its insistence on deep-seated obstacles to development also ran afoul of the optimistic voluntarism of economic experts and political leaders, who succeeded in enacting a surprising wave of market reforms. In fact, the old framework lost control over the very notion of "structural reform," which was appropriated by neoliberals for their attack on entrenched state interventionism and "rent-seeking" interest groups. By assailing these market-distorting hindrances, neoliberals sought to level the playing field and institute unfettered competition, both in the economy and in democratic politics.

But these bold reform efforts have yielded disappointing results. The neoliberal transformation has laid the ground rules for economic efficiency but not produced much growth. Although many Latin American countries went quite far in implementing the recipe of change, the promise of high payoffs has often failed to materialize. As a result, popular dissatisfaction with the actual performance of the new market system has spread. And given that many Latin Americans attach economic expectations to democracy, commitment to civilian competitive rule also seems to be weakening in a number of countries.

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Thus, the performance of Latin American economies and polities has proven less malleable than agency-oriented approaches (including the market-friendly neostructuralism of the 1990s) assumed. Ambitious reforms have confronted important obstacles that have limited their success. As more and more observers have noticed these constraints, arguments derived from more traditional versions of socioeconomic structuralism have found renewed resonance. Inequalities and hierarchies in the international system and in domestic economy and society seem to play a significant role in distorting and stifling competitive forces, limiting their payoffs, and creating or exacerbating a range of economic, social, and political problems.

This revival of structuralism strengthens alternative voices in the lively discussion about Latin America's political economy. It usefully counterbalances the voluntaristic approaches that have prevailed in the last two decades. But this renewed twist in the age-old structure / agency debate has not swung the pendulum to the opposite pole and restored structuralism to a hegemonic position. Instead, agency-oriented approaches retain many adherents in economics and political science; in fact, they have extended their reach by focusing on institutional rather than policy reform. This theoretical move, however, has also made these approaches less voluntaristic; institutions tend to be harder to change than specific policies. At the same time, contemporary structuralists—including post-neostructuralists in the field of economics—are more amenable to agency-oriented insights about competitive economic forces than their predecessors before the recent wave of market reforms were. As a result, the divergence of the two contending frameworks has diminished.

This theoretical moderation allows for a pluralism of viewpoints and arguments to emerge. Rather than engaging in paradigmatic battles at a high level of abstraction, researchers may be better advised to develop hypotheses for specific issues and questions and assess them with thorough empirical research. A number of issues seem especially relevant for this purpose, both for theoretical and practical reasons. In particular, how did market reform affect domestic and transnational ownership patterns? What are the opportunities for Latin American countries to succeed in technological upgrading? Why has neoliberalism had such disappointing repercussions for employment creation? How has the great transformation shaped social mobility among different sectors of the population? How profoundly have legal changes transformed systems of interest representation, for instance by dismantling longstanding corporatist structures? And what are the short- and long-term effects of market reform on political participation and the accountability and responsiveness of governments? By addressing these questions, Latin America specialists in economics, sociology, and political science have ample opportunities for deepening the scholarly understanding of the region's political economy.

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