

BOOK REVIEW ESSAYS

Capitalism, Inequality, and Development in Latin America

Margarita Fajardo

Sarah Lawrence College, US
mfajardo@sarahlawrence.edu

This essay reviews the following works:

The Oxford Handbook of the Brazilian Economy. Edited by Edmund Amann, Carlos R. Azzoni, and Werner Baer. Oxford: Oxford University Press, 2018. Pp. ix + 813. \$150.00 hardcover. ISBN: 9780190499983.

História económica de la Argentina en los siglos XX y XXI. By Claudio Belini and Juan Carlos Korol. Buenos Aires: Siglo XXI Editores, 2020, rev. ed. Pp. 7 + 396. ARS \$1,290. ISBN: 9789878010380.

State and Nation Making in Latin America and Spain: The Rise and Fall of the Developmental State. Edited by Agustín E. Ferraro and Miguel A. Centeno. New York: Cambridge University Press, 2018. Pp. ix + 436. \$140.00 hardcover. ISBN: 9781107189829.

The Political Economy of Taxation in Latin America. Edited by Gustavo A. Flores-Macías. New York: Cambridge University Press, 2019. Pp. vii + 282. \$99.99 hardcover. ISBN: 9781108474573.

The Public Good and the Brazilian State: Municipal Finance and Public Services in São Paulo, 1822–1930. By Anne G. Hanley. Chicago: University of Chicago Press, 2018. Pp. xii + 290. \$60.00 hardcover. ISBN: 9780226535074.

Feeding the World: Brazil's Transformation into a Modern Agricultural Economy. By Herbert S. Klein and Francisco Vidal Luna. New York: Cambridge University Press, 2018. Pp. viii + 468. \$32.99 paperback. ISBN: 9781108460972.

The Mexican Heartland: How Communities Shaped Capitalism, a Nation, and World History, 1500–2000. By John Tutino. Princeton NJ: Princeton University Press, 2018. Pp. 512. \$39.50 hardcover. ISBN: 9780691174365.

Few of the works reviewed here refer to capitalism as such. That seems to be the territory of historians, and more specifically of historians responding to the global turn.¹ But the historians, economic historians, and historically informed sociologists and political scientists included in this review do provide histories of Latin American capitalist development and of the impact of the region's integration to the global economy, from sixteenth-century silver capitalism to the most recent soy-driven orientation to China. Reading as an intellectual historian of development and capitalism in Latin America, specifically of “dependency theory” writ large, I find continuity and legacies as well as ruptures in these books' approach to the study of Latin American capitalist development.² Latin American studies have a rich and long tradition of thinking both

¹ Jeremy Adelman, “What Is Global History Now?,” *Aeon*, March 1, 2017, <https://aeon.co/essays/is-global-history-still-possible-or-has-it-had-its-moment>. On the intersection of economic and global history, see Jeremy Adelman and Jonathan Levy, “The Fall and Rise of Economic History,” *Chronicle of Higher Education*, December 1, 2014, <https://www.chronicle.com/article/the-fall-and-rise-of-economic-history/>.

² Margarita Fajardo, *The World That Latin America Created* (Cambridge, MA: Harvard University Press, forthcoming 2021).

historically and globally about capitalist development. The recent scholarship draws from that tradition while moving away from the implied assumptions and perhaps unintended implications of the dependency-theory-inspired narratives of old.³ However, unlike the previous generation of scholars, the works under review highlight Latin American states, entrepreneurs, municipal councils, and peasants “carrying”—to borrow one of the terms discussed below—capitalism rather than being carried or crushed.

In particular, the twentieth-century development era, with its promises and legacies, appears for the most part in a new light, especially when looking at Brazil, which also appears prominently in this selection. The change in emphasis is perhaps the result of the comparison with the neoliberal era and its failure to promote either development or equality, with the exception of the short-lived commodity boom in the first decade of the twenty-first century. The question of persistent and perhaps even growing inequality, not just as an obstacle for development as in the past but as a problem in and of itself, underlies many of the works reviewed and is an explicit concern of the first two.

Inequality and Public Finance

That Latin America is the most unequal region in the world has become common parlance. The unequal distribution of income has been attributed to colonial legacies, nineteenth-century modernization and privatization projects, Cold War imperatives, and state-led industrialization. Anne Hanley's *The Public Good and the Brazilian State* and Gustavo Flores-Macías's edited volume *The Political Economy of Taxation in Latin America* both focus on public finance as a source and indicator of inequality in Brazil and in Latin America. They both begin and end their analysis with the absence or secondary importance of direct taxation in the region's tax structure. While Hanley examines the state of São Paulo during its nineteenth-century export boom, the essays coordinated by Flores-Macías address the causes and consequences of the 2000s commodity boom across the region. Hanley is mostly concerned with spending and the burden of responsibilities on the municipalities as causes of long-term inequality. In turn, Flores-Macías's collection focuses on taxation as opposed to spending as a mechanism to redress inequality. Let me turn now to each of these volumes separately and the questions they both raise in terms of Latin American capitalist development.

Based on Hanley's own compilation of data available in an online appendix, *The Public Good and the Brazilian State* offers a richly detailed account of both the sources of fiscal revenue and the spending pattern of seven of the largest and richest municipalities in the state of São Paulo from imperial to republican Brazil. The book shows the struggles of municipal councils and of the population of these municipalities to meet the responsibilities of providing physical infrastructure and public works, health and hygiene, and education and leisure with the (meager) resources coming from taxing local economic activity and the local circulation of goods and services. The book shows how funds were spent and how municipal authorities made decisions about allocation of resources, as well as the fiscal problems created by health or environmental emergencies and the effects of debt issuance, among others.

The book makes three arguments that are relevant in the context of this essay. First, Hanley challenges the long-standing idea about the nineteenth century—but often stretched beyond that era—that both patronage and clientelism were at the root of “poor local governance” and underdevelopment. Rather than patronage leading to inefficient spending, the “sense of ineptitude” in public administration was the result of a lack of resources (100–110), which in turn was the result of a tax structure that funneled the resources of the state of São Paulo's export boom to the national and, to a lesser extent, state coffers. Second, and related to the previous point, Hanley examines the effects of each of these municipalities' integration to the world economy and shows that the ability to gain revenue from the indirect effects of coffee expansion varied in time and across the municipalities. For Hanley, the tax dependence on the local economy and the lack of transfer of resources from one municipality to another or from the national or state level to the local level perpetuated existing inequalities (210).

Finally, and entering in a dialogue with a few of the essays in Flores-Macías' collected volume, Hanley discusses the merits and pitfalls of tax decentralization between levels of government. Hanley claims that nineteenth-century municipalities were overburdened with responsibilities and deprived of revenue in the

³ On the influence of cepalinos and dependantistas, see Paul Gootenberg, “Between a Rock and a Softer Place: Reflections on Some Recent Economic History of Latin America,” *Latin American Research Review* 39, no. 2 (2004): 239–257; John Coatsworth, “Structures, Endowments, and Institutions in the Economic History of Latin America,” *Latin American Research Review* 40, no. 3 (2005): 126–144; and more recently, Héctor Pérez Brignoli, “Global Products, Technology and the World Market: Understanding Latin American Development,” *Latin American Research Review* 55, no. 4 (2020): 810–819.

decentralized imperial system, which had long-term consequences. In contrast, Aaron Schneider and Flores-Macías, in separate chapters, conclude that the constitutional spending mandate and federal control of borrowing in contemporary Brazil contributed to both higher taxes and higher revenue at the municipal level in Brazil. In other words, higher taxation was the result of higher spending rather than the other way around, as perhaps common sense or fiscal orthodoxy would have it. Those changes recalibrated the balance between autonomy and fiscal responsibility, development, and equality goals at the municipal and national level, perhaps indicating a long-term and significant transformation in the Brazilian political economy, had they not been tempered by the most recent political crisis, in which public finance played an important role.

Like Hanley's book, the essays in the *Political Economy of Taxation* are driven by the question of inequality, particularly given the fiscal gap left by the end of the most recent commodities' boom. They seek to explain why Latin American countries have failed to increase the level of taxation on a par with the level of economic development and to transform their tax structure toward a more progressive one. The essays in the volume argue that there are political determinants such as resource nationalism, the strength and organization of economic elites, electoral rules, and public opinion that prevent a more serious and sustained transformation of the tax system. Although the response to that broader question might seem straightforward, several essays in the volume provide counterintuitive and thought-provoking explanations to that and other questions. To the question of why Latin America has a low level of taxation with regard to its level of development, the volume points to the "missing share" of direct taxation to income as an explanation (3) as well as the capacity of the state to ensure compliance or incorporate larger portions of the population to the tax system. As Marcelo Bergman suggests, though taxing the informal economy and thus increasing the number of taxpayers might seem electorally costly and might eliminate implied consumption subsidies, it might increase a sense of fairness and reduce the excessive burden posed by indirect, regressive taxation (67–73).

With regard to the tax structure, the "missing share" of direct taxation becomes the explanandum for other essays. In a generally interesting essay, Francisco J. Monaldi, for instance, suggests that natural resource dependence has helped states sidestep progressive taxation because it has been easier for governments—both left and right—to tax multinational corporations than to tax domestic elites. Surprisingly, Tasha Fairfield indicates that direct taxation has not been as political and polemical an issue as one would expect because the majority of the population does not pay income taxes, and therefore, "rarely social movements mobilize to demand progressive taxation" (183–185). Conversely, using the counterexample of Chilean and Uruguayan elites acquiescing to income taxation in the past, James E. Mahon argues that low levels of taxation and regressive taxation are the result of the inability of the state to secure property rights and therefore make elites invested in state-building and willing to pay its cost. Finally, several essays address the causes of the variation in the level of tax burden across countries from Brazil's 34 percent to Mexico's 11 percent of GDP. While Fairfield argues that more institutionally and politically organized business groups in Chile and weaker ones in Argentina have resulted in less burden in the former than in the latter, Gabriel Ondetti suggests that the absence of historically significant episodes of massive income redistribution, such as the Mexican Revolution or the Chilean Way to Socialism, have precluded the organization of Brazilian elites to the level of their Mexican and Chilean counterparts and thus have resulted in higher levels of taxation in Brazil than in Mexico or Chile (94). The essays by Monaldi and by Juan Bogliacini and Juan Pablo Luna raise important questions about the relationship between ideology, partisanship, and taxation preferences that perhaps can help move the discussion about the political determinants of taxation beyond a left-right ideological divide. Although these essays do not explicitly address the impact of inequality on development, they do give new clues as to how the historical trajectory of capitalist development has resulted in fiscal structures that entrench inequality.

Histories of Capitalism and of Development

Histories of capitalism in and from Latin America have abounded in the region. But although many focused on capitalism and economic forces as the main drivers of history, they were not labeled as "histories of capitalism." Since at least the mid-twentieth century, Marxist intellectuals like the Brazilian Caio Prado Júnior and the Argentine Sergio Bagú; *cepalinos* like the Chilean Aníbal Pinto and the Brazilian Celso Furtado; and *dependentistas* like Fernando Henrique Cardoso, Enzo Faletto, and Andre Gunder Frank, to name a few, wrote histories of long-term capitalist development in the region and collectively created a movement that made economic history the driving force of scholarly work and the "queen of Latin American studies" from the late 1960s to the 1980s.⁴ At the turn of the past century, two important trends

⁴ Gootenberg, "Between a Rock and a Softer Place," 239.

in economic history emerged to challenge the dependency-theory-inspired historiography. On the one hand, the “new institutional economics” turned to the internal or domestic “institutions”—state, property regimes and rights, and constitutions as well as informal norms of behavior—as response to the perceived undue emphasis on global forces or external factors of the previous body of work. On the other hand, the histories of commodities, from bananas to coffee to cocaine, and some new histories of imperialism reaffirmed and perpetuated the global outlook on the history of Latin American capitalism while seeking to bridge the seemingly stark divide between center and peripheries, national and global dimensions of the previous generation.⁵ Despite or perhaps through these challenges, this foundational, midcentury corpus, with its chronology based on the region’s forms of integration to the global economy and its tradition of thinking historically and globally, continues to shape and be challenged by the books reviewed below.

Covering five hundred years of history, John Tutino’s *Mexican Heartland* successfully combines historical and historiographical synthesis with the results of monographic work. It shifts between grand narratives and ethnographic perspectives; it begins with rural, autonomous communities and ends with urban, dependent ones; and it manages to truly scaffold local, national, and global histories. The book has two main purposes: to challenge the Eurocentric view of global histories of capitalism in the tradition of both Fernand Braudel and Immanuel Wallerstein, which continues to focus on centers of economic power, and to challenge simple narratives of “exploitation” and “resistance” ascribed to the “peoples without history.” To do so, Tutino places Mexico at the center of this global history of capitalism and the inhabitants of the Mexican heartland—the valleys surrounding Tenochtitlán/Mexico City—as the protagonists of the story. These heartland communities struggled for autonomy or self-sufficiency in material, cultural, and political life through the maintenance of both communal landholdings and patriarchal families. While pursuing their autonomy they were in fact “sustaining, contesting, limiting, and shaping capitalism” (9). They were responsible for the rise of silver capitalism from the sixteenth to the eighteenth century and its collapse in the early nineteenth century, as well as for the inclusion of the “rights of villagers as part of the conversation” of the post-1910 revolutionary state (330). It was only in the mid-twentieth-century era of national capitalism and development(alism) that the communities of the Mexican heartlands lost their autonomy and protagonism in both national and global histories, a question I will return to below.

While retaining some of its broad strokes, *Mexican Heartland* introduces new concepts to the narrative of capitalist development in Latin America. Like the foundational twentieth-century historiography and like other books here reviewed, the region’s type of integration to the global economy—from a silver-producing colony to a nation in search for a new export link in an industrial age, to the era of industrial-led, nationalist development—provides the chronology. However, Tutino introduces important subtleties. Like other “new histories of capitalism” (5), Tutino moves away from terms like *exploitation*, *class struggle*, and *domination* that characterized old narratives. Rather than victims or objects, rural communities are agents “carrying” capitalism. Instead of exploitation, a “blunt concept” that obscures “complex evolutions” (17), Tutino introduces the concept of “symbiotic exploitations” (e.g., 113), by which he refers to the relationships between heartland communities and the commercial estates and silver mines through which the former sustained their families, a patriarchal social order, and communal lands. The concept carries significant weight in the *Mexican Heartland*. It was the communities in the heartland that did not have “symbiotic exploitations” which pressed insurgencies during the fall of empires and the revolution of 1810, and it was the erosion of the “symbiotic exploitations” and the undermining of patriarchy—“the social cement that historically organized production and inequalities in the heartland” (261)—that provoked violence and culminated in the 1910 revolution. By introducing and combining patriarchy and symbiotic exploitations as explanatory variables, Tutino seeks to transform victims into protagonists and thus upend old histories of capitalism in which Latin America appears shaped from above and from outside.

In these and previous narratives of capitalist development in Latin America, scholars have identified different points of fracture, divergence, and failure. Whereas some hard-core dependentistas identified the region’s integration to the world economy through Iberian colonization as the beginning of capitalist underdevelopment, cepalinos imagined what Tutino calls the “industrial age” and the integration of Latin America in a peripheral role as exporter of commodities as the point of divergence with those industrial

⁵ See, for instance, Steven Topik, and Allen Wells, eds., *The Second Conquest of Latin America: Coffee, Henequen and Oil during the Export Boom, 1850–1930* (Austin: University of Texas Press, 1998); Gilbert M. Joseph, Catherine LeGrand, and Ricardo Salvatore, eds., *Close Encounters of Empire: Writing the Cultural History of U.S. Latin American Relations* (Durham: Duke University Press, 1998). Steven Topik, Carlos Marichal, and Frank Zephyr, *From Silver to Cocaine: Latin American Commodity Chains and the Building of World Economy, 1500–2000* (Durham: Duke University Press, 2006).

centers. Finding themselves paradoxically in the same camp with hard-core dependentistas, the “new institutionalists” point to the colonial era and its Iberian institutions as the point of divergence in the Americas, for instance.⁶ In Tutino’s scheme, the twentieth-century era of national capitalism represents the nadir of the story. It was then that the heartland communities lost protagonism, lost their landed autonomies, and finally became dependent. The rest of books reviewed in the essay, all touching upon the development era, differ.

In contrast, Claudio Belini and Juan Carlos Korol’s *Historia económica de Argentina* and Miguel Centeno and Agustín Ferraro’s collection of essays subtitled *Rise and Fall of the Developmental State* attempt to redress or at least nuance the narrative of failure of the twentieth-century development era that has accumulated over the years. Since the 1960s, regional development experts expressed concerns about the exhaustion of the so-called import-substitution industrialization model and were disillusioned as developmentalism became authoritarian. Their dependentista critics reinforced the view, pointing to the failure of mid-twentieth-century efforts to break with both dependency and underdevelopment. The Chicago Boys and their followers continued to locate the region’s misfortunes in the “inward-looking” and state-led development project that dominated twentieth-century Latin American capitalism. Later on, the comparison of Latin America’s trajectory with East Asia’s accelerated development cast an even darker shadow. If Asian countries could transform their economies so remarkably in only a few decades, why couldn’t Latin America? It is only recently, after years of experiencing “neoliberal” capitalism and its failure to produce either sustained growth or redress entrenched inequalities, that the development era appears in a different light.⁷ This pattern is not exclusive to Latin America. African scholars and scholars of internationalism also highlight the intellectual, political, and even economic success of the development era.⁸ The following two books are part of that conversation.

The twentieth-century shift in Argentina’s position in the regional and the global economy is the object of Belini and Korol’s *Historia económica de la Argentina en los siglos XX y XXI*. At the beginning of the century, Argentina was not only the richest and most diversified economy of Latin America but it also had national income levels comparable to some of the North Atlantic economies (17–18). Like Brazil today, Argentina was one of the world’s leading producers of agricultural commodities. Yet, by the end of the century, its GDP per capita declined from 63 percent of that of the United States in 1929 to 30 percent (Ferraro and Centeno, 231). Although those figures might clearly suggest a “clear path of economic stagnation,” the authors seek to “distance themselves from perspectives that present Argentina’s economic history as failure” (14).⁹ Instead, they argue, Argentina exhibited “significant and accelerated economic growth that was, however, not enough to transform the country into a developed economy” (25). In that light, another and perhaps better term to capture Korol and Belini’s “failed development” might be one of “arrested development,” borrowing from Aníbal Pinto’s classical text on Chile.¹⁰

To redress or modify this narrative of failure, the authors attempt to explain “what did happen instead of what didn’t,” and in so doing they highlight significant features and periods of success within a long-term trajectory of “arrested development.” For instance, they emphasize the “relatively successful adaptation of the Argentine economy to the new global context” after the Great Depression (363), which guaranteed a rapid recovery by international standards but might have also hindered the “search for alternative paths” to development (113). Despite referring to it as the “failure of authoritarian developmentalism,” they also point to a “phase of sustained economic growth that lasted until 1975.” Such periods of expansion were the result of overcoming outstanding and long-term limitations such as those imposed by the agro-export sector of the Pampas, the delayed transition to the manufacturing of durable goods, the so-called hard phase of industrialization, and the integration of different levels of industry (195–196). Though affected by profound economic crisis in the 1980s and early 2000s, Argentina has had and still maintains one of highest per capita incomes in the region.

⁶ See, for instance, Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*, illustrated ed. (New York: Currency, 2013).

⁷ See, for instance, Luis Bértola and José Antonio Ocampo, *The Economic Development of Latin America since Independence* (Oxford: Oxford University Press, 2012).

⁸ Adom Getachew, *Worldmaking after Empire: The Rise and Fall of Self-Determination* (Princeton, NJ: Princeton University Press, 2019); Alden Young, *Transforming Sudan: Decolonization, Economic Development, and State Formation* (Cambridge: Cambridge University Press, 2018); Priya Lal, *African Socialism in Postcolonial Tanzania: Between the Village and the World* (New York: Cambridge University Press, 2015).

⁹ Original in Spanish. Translations in this section are my own.

¹⁰ Aníbal Pinto, *Chile, un caso de desarrollo frustrado* (Santiago: Editorial Universitaria, 1959).

Although the record is not one of complete failure, the causes of the twentieth-century transformation in the relative position of the Argentine economy in the world merited the author's explanation. In their conclusions, the authors emphasize the limits imposed by the type of integration to the world economy and the fragmentation and the decline of the state as the source of that shift. The organization of the book in chapters covering short periods of about ten years, though the result of the current "fragmented historiography" and certainly useful for those of us interested in economic policy controversies, also obscures some of those long-term problems and important analytical keys that nonetheless do appear in the conclusions. Echoing some of the findings of the next volume, Belini and Korol argue that the "marchas y contramarchas" or back-and-forth in economic policy that appears so prominently and even drives the story in the different chapters is the result of the "decline of the state-building project" and the long-term "fragmentation of the state apparatus" combined with the "relative loss of autonomy of the state" due to conflicts of income distribution between classes and sectors (365–367). Although those wild economic policy swings continue into the twenty-first century, it is unclear whether the authors see the long-term unmaking of the state continuing to this day. But they do raise the possibility that the "instability of [Argentine] political institutions" lies at the heart of its "arrested development."

Dealing with the development era across the region, *The Rise and Fall of the Development State*, edited by Agustín Ferraro and Miguel Centeno, is the second of a three-part series titled *State and Nation Making in Latin America and Spain*. The volume is the product of a series of conversations and collaborations between junior and senior scholars, historians and sociologists based in the United States, Spain, and Latin America, in which I had the pleasure to participate. The volume starts from the premise that the post–World War II economic development trajectory of Latin America is better understood in comparison with Spain rather than with the United States—as "new institutionalism" has done—or with East Asia. Spain and Latin America not only shared language, legal traditions, and culture but both featured a combination of authoritarianism and developmentalism at the juncture of accelerated growth. The exponential growth of Spain compared to Latin America's linear growth, as well as the transformation of Spain into an exporter of manufactures while Latin America remained committed to the internal market, frames the problem for the rest of the volume.

Although this comparison might seem like yet another case of Latin American development failure, the editors and the contributors insist on nuancing that notion—without undermining some of the crucial shortcomings—and on highlighting relative "successes" that go beyond the economic realm. The editors speak of a "Latin American economic and cultural boom" and reaffirm that Latin America "did not fail to industrialize" (12), while the contributors explore some of the (often paradoxical) successes in building state institutions, professionalizing public bureaucracies, creating symbolic power, and producing influential and enduring visions of development that emerged as a result of or in association with the rise of the developmental state. The essays by José Carlos Orihuela, Luciana de Souza Leão, Patricio Silva, and Eduardo Dargent examine the building of development institutions in Chile, Peru, Brazil, and Colombia, showing the varieties of developmental states, the endurance of some of these institutions beyond the development era, and the role of some of them in the modernization of each country and the professionalization of the civil service. In terms of generating visions of development and influential intellectual traditions beyond industrialization and nationalist ideologies and identities, the Latin American developmental states were to a large extent successful, as shown in the essays of Joseph Love, Robert Karl, Marshall Eakin, Matthias von Hau, and my own. Finally, although Argentina is perhaps the paradigmatic example of the twentieth century's reversal of fortune in development, and Brazil's favelas illustrate the failures of development, Yovanna Pineda shows, at the micro-level, that factory owners and workers remember the developmental era as the golden decades of industry (247), while Brodwyn Fischer shows that urban informality was not just a negative by-product of development but was "essential to developmental state's successes" in Brazil (375). Collectively, the essays in the volume help to reassess the state-led, industrial-based development era in the long-term narrative of capitalist development.

As they return to the comparison between Latin America and Spain, Ferraro and Centeno's conclusions create an unresolved puzzle regarding Brazil, especially in light of some of the essays in their volume, as well as of the two books reviewed in the following section. To explain the divergence of the development trajectories of Spain and the large Latin American countries after the 1960s, Ferraro and Centeno argue that it was Spain's ability to "strengthen the capacity of state bureaucracy," therefore guaranteeing consistency and continuity in economic policymaking, that explains the divergent development trajectories. However, as Leão's and Jordi Catalan and Tomàs Fernández de Sevilla's essays in the volume indicate, and the two books discussed below suggest, Brazil experienced a similar process. Brazil had long-run bureaucratic professionalization, created "insulated bureaucracies," and "institutionalized means of intervention in the

economy" (172–173) that resulted in a "high degree of institutional continuity" (167) and more consistent policies in both Spain and Brazil than in Argentina, for instance (273–274). The record of economic development and the relative strength of the developmental state in Brazil remain an important object of inquiry and debate, as the next section will further discuss.

Brazilian Turn-of-the-Century Development in Historical Perspective

Brazil's rise to global prominence at the turn of the twentieth century has drawn increased interest. Brazil is among the top ten largest economies in the world and the world's leading producer of basic foodstuffs, minerals, and even regional jet aircraft, and Brazilian enterprises themselves are internationalized. In terms of international governance and cooperation, Brazil has had a leading role in market integration in South America, has successfully carried out its economic agenda in the World Trade Organization, and has cofounded a New Development Bank. Up until a few years ago, Brazil commanded the world's attention for reducing the population living in poverty and temporarily redressed its entrenched income inequality through socioeconomic policies and monetary stability. The economic recession, combined with a political crisis marked by the presidential impeachment and indictments and convictions of multiple members of the political establishment, tempered the optimistic view that prevailed a decade ago. Within this context, Herbert Klein and Francisco Luna's *Feeding the World* explains Brazil's rise as a "world agricultural powerhouse," while Edmund Amann, Carlos Azzoni, and Werner Baer's *Oxford Handbook of the Brazilian Economy* explore why Brazil is a "globally vital yet troubled economy."

In *Feeding the World*, Klein and Luna explain the late twentieth-century modernization of agriculture that made Brazil "a granary for the world." Despite being a leading agricultural power historically—think of sugar and coffee—the contemporary leadership strikes observers for breaking past trends. It breaks with Brazil's traditional reliance on the export of tropical goods, moving the country to compete rather than complement world powers like Europe and the United States, and thus, shifts the international division of labor. Rather than being confined to specific regions within Brazil, the modernization of agriculture has had an impact throughout the country. Most importantly for the authors, perhaps, is that Brazilian agricultural production has grown through significant improvements in productivity and not solely by the expansion of land and labor as in the past (4). The book provides a comprehensive and empirically rich account of the modernization of Brazilian agriculture through a combination of context and background chapters helpful for those unfamiliar with Brazilian economic development, more analytically driven chapters that put forward the main arguments of the book, and chapters based on case studies of three states that show how the process played out in three different regions of the country. Although the reader gets a detailed view of the transformations at the state level in farm and labor force size, systems of ownership and tenancy, level of education of workers and owners, and access to credit of producers of different size, the reader would have benefited from a synthetic chapter that dealt with the socioeconomic effects of this "conservative modernization." Some of these questions are addressed in Charles C. Mueller's essay in the *Oxford Handbook*.

Klein and Luna explain the agricultural transformation as a two-stage process. In the first stage, the military government engaged in a "conservative modernization," that is, an effort to support increases in productivity through subsidized and massive credits, financial support for agricultural research, and an intense regulation of prices and stock, without transforming the land tenure structure, seen as quintessential for modernization in the development era. The military regime intervened in the agricultural sector to overcome the limits that it imposed on the state-led industrialization and development project (37–39), making the modernization of agriculture a "handmaiden to industrialization" (405) and developmentalism. The second stage began in the late 1980s, when the elimination of credits and subsidies to combat inflation and fiscal imbalances and the opening of the Brazilian economy to global markets forced a reorganization of the agricultural sector. This combination was a double-edged sword. While cheap credit was eliminated and protection undermined, machinery and equipment were made available at international (and lower) prices, for instance. Responding to both obstacles and opportunities, the agricultural sector replaced state credit with that of suppliers and distributors in global and national value chains, and benefited from the (larger than national) size of the international market. While the first phase created the productivity gains that make Brazilian agriculture globally competitive today, the second phase provided the "international market that allowed for continuous increase in productivity" and would have been "impossible in a closed local market, no matter how broad" (114). Although both industry and agriculture faced the same constraints and opportunities given by state retreat and globalization, only one sector was able to compete and thrive in the global market, and the other faced what some called deindustrialization (which Paulo César Morceiro's chapter in the *Oxford Handbook* addresses, 259).

In part, this story partakes of the trend discussed earlier about the reconceptualization and reimagining of some of the successes of the development era. Klein and Luna emphasize the importance of developmentalism and state support for agricultural research in and from the tropics for agricultural development. In particular, they focus on the creation of the Empresa Brasileira de Pesquisa Agropecuária (EMBRAPA) in the 1970s and the expansion of training and research in federal universities (a point echoed by Geraldo B. Martha Jr. and Eliseu Alves in the *Oxford Handbook*). The results of investment in research and technology paid off decades later to make Brazilian agriculture “one of the most efficient and sustainable in the world” (163), turning degraded land into fertile land, creating breeds adapted to local soils and climates, and making use of energy-saving techniques, among other advances, as explained in chapter 4. In addition to state developmentalism, the agricultural sector benefited from “small but dynamic sector of entrepreneurial farms who have responded to all the new incentives” (138). As a counterfactual to the agricultural sector, the book raises questions about the lack of “entrepreneurship” of the industrial sector and its ability to act as a class and impose its domination, a question that has been debated by Brazilian intellectuals since the 1960s.

With regards to sustainability, Klein and Luna offer a summary of the policy measures adopted by Brazil to monitor deforestation, stimulate bioenergy, and other programs that show that “Brazil has taken sustainability issues seriously, both for environmental and economic reasons” (188). However, in the context of the repeated association between the modernization of agriculture and the devastation of different ecosystems, including the Cerrado and Amazon, in the wider public debate, the reader would have benefited from an explicit and sustained discussion of the environmental impacts of agricultural modernization.

The Oxford Handbook of the Brazilian Economy provides a comprehensive and solid overview of the Brazilian economy today. It explores the causes and consequences of Brazil’s rise to become a “major global player” while addressing some of the structural and short-term factors behind the recession that began in 2012. The editors attribute the outstanding performance of the Brazilian economy in the new millennium to a growing global market for commodities combined with the modernization of resource extraction (along the lines of Klein and Luna), to the price stability achieved through inflation targeting, and to programs to alleviate poverty and reduce inequality. Conversely, they argue that the “reversal of fortunes” during the second decade of the new millennium is due to “unaddressed structural problems” such as low productivity in the nonagricultural sectors, insufficient economic diversification, and “underinvestment in infrastructure and education.” The insufficiency of investment in education in the primary and secondary levels, still in the hands of the municipal authorities (as shown in Claudio de Moura Castro’s essay, in which Brazilian development is presented as an oddity for the literature on human capital since it has progressed without comparable advances in education) is consistent with Hanley’s analysis, discussed above.

Most of the short essays in the volume provide a historically informed perspective on the contemporary Brazilian economy, tracing the evolution of productive sectors, public and private institutions, trade and commercial policy, and others since at least the Great Depression and World War II. They also address more recent phenomena such as Brazil’s larger role in the world economy and what the editors call Brazil’s “socially inclusive development model.” The volume engages with some of the most important economic debates in Brazil today—the problem of deindustrialization and the modernization of agriculture, the extent and impact of market liberalization, the role of the state in development and monetary stability, the origins and sustainability of the anti-poverty programs established after the return of democracy—and begins to explore the impact of recent corruption scandals in economic performance and in fostering institutional change. Some of them offer important insights or remind the reader of often-overlooked facts. The essays of Simão Davi Silber and Donald V. Coes insist that Brazil, despite its neoliberal opening and larger role in the world, remains a closed economy, by international comparison, and is committed to domestic market-driven development. Concerning social development and inequality, Armando Barrientos shows the impact of social assistance beyond the most famous program, Bolsa Família, while Rodolfo Hoffman invites the reader to look at the limitations of income transfer programs in further reducing inequality and instead suggests the elimination of privileges of civil servants and the need for progressive taxation.

The volume seeks to portray Brazil as a “vast and diverse economy” and rightly recognizes the regional diversity that it claims is often overlooked. However, the Amazon as a region, crucial in the country’s contemporary economic development and in defining it on the world stage, is surprisingly absent from this volume (aside from brief remarks in the chapters dealing with agriculture and environmental issues), and it was also set aside in Klein and Luna’s *Feeding the World*. The fiscal situation, though prominent in the economic and political debate, is also absent from the *Oxford Handbook*, although the volume does raise the question of reassessing the state-business articulation in light of the recent corruption scandals.

It is pertinent to end this review of histories of capitalism and development with Brazil by going back to some of the essays' key reflections. Though the works reviewed here examined capitalism in its *longue durée* in Mexico and the "short twentieth" century in Argentina, as well as dug into less explored cases such as Colombia and Peru, Brazil figured prominently among the works. The Brazilian experience was foundational for the field. It gave rise to several of the region's classics on economic history and histories of capitalism and continues to be singled out for its ambiguous record in development, equality, and democracy. Compared to other countries, Brazil's development project remains vibrant in both enduring institutions like EMPRABA or the Banco Nacional de Desenvolvimento Econômico e Social (BNDES) and in the public policy of "neo-developmentalism" of the twenty-first century. Many of the authors of the books here reviewed emphasize the important intellectual, political, state-building, and even economic legacies of midcentury developmentalism. Even those looking at Argentina and its reversal of fortune made some inroads against the dominant narrative of failure. For the most part, these works force us to reconsider twentieth-century developmentalism, an era that has been discredited by the gap between promises and accomplishments. Yet, in contrast with the contemporary moment of neoliberalism and globalization, the twentieth-century development project is now in the process of important revisionism.

Author Information

Margarita Fajardo is a faculty member at Sarah Lawrence College. She received her BA in history and economics from Universidad de los Andes, Bogotá, Colombia, followed by her MA and PhD from Princeton University. She is the author of *The World That Latin America Created: The United Nations Economic Commission for Latin America in the Development Era* (Harvard University Press, forthcoming 2021). In recent years she has received fellowships from Duke's Center for the History of Political Economy as well as from the National Endowment for the Humanities. Margarita has also published in the *Latin American Research Review* and in edited volumes about the developmental state in Latin America, Cold War social science, and global social sciences.

How to cite this article: Fajardo, Margarita. 2021. Capitalism, Inequality, and Development in Latin America. *Latin American Research Review* 56(3), pp. 720–728. DOI: <https://doi.org/10.25222/larr.1611>

Submitted: 03 March 2020

Accepted: 08 March 2020

Published: 07 September 2021

Copyright: © 2021 The Author(s). This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC-BY 4.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited. See <http://creativecommons.org/licenses/by/4.0/>.

LARR

Latin American Research Review is a peer-reviewed open access journal published by the Latin American Studies Association.

OPEN ACCESS 