DEMOCRACY AND DEVELOPMENT IN LATIN AMERICA

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GUARDIANS OF THE NATION? ECONOMISTS,GENERALS, AND ECONOMIC REFORM IN LATIN AMERICA. By Gary Biglaiser. (Notre Dame, IN: University of Notre Dame Press, 2002. Pp. 256. $45.00 cloth, $23.50 paper.)

PRESIDENTS WITHOUT PARTIES: THE POLITICS OF ECONOMIC REFORM IN ARGENTINA AND VENEZUELA IN THE 1990S. By Javier Corrales. (University Park: Penn State University Press, 2002. Pp. 384. $55.00 cloth.)

POLITICIANS AND ECONOMIC REFORM IN NEW DEMOCRACIES: ARGENTINA AND THE PHILIPPINES IN THE 1990S. By Kent Eaton (University Park: Penn State University Press, 2002. Pp. 320. $58.50 cloth.)

LATIN AMERICAN MACROECONOMIC REFORM: THE SECOND STAGE. Edited by José Antonio González, Vittorio Corbo, Anne O. Krueger, and Aaron Tornell. (Chicago, IL: University of Chicago Press, 2003. Pp. 442. $95.00 cloth.)

PRIVATIZATION AND DEMOCRACY IN ARGENTINA: AN ANALYSIS OF PRESIDENT-CONGRESS RELATIONS. By Mariana Llanos. (New York: Palgrave, 2002. Pp. 232. $65.00 cloth.)

DEMOCRACY: GOVERNMENT OF THE PEOPLE OR GOVERNMENT OF THE POLITICIANS? By José Nun. (Lanham, MD: Rowman and Littlefield, 2000. Pp. 128. $55.00 cloth, $17.95 paper.)

DEMOCRACIES IN DEVELOPMENT: POLITICS AND REFORM IN LATIN AMERICA. By J. Mark Payne, Fernando Carillo, and Florez Daniel Zovatto. (Washington, D.C.: IADB and IDEA, 2002. Pp. 339. Np.)

POST-INVASION PANAMA: THE CHALLENGES OF DEMOCRATIZATION IN THE NEW WORLD ORDER. Edited by Orlando J. Pérez. (Lantham, MD: Lexington Books, 2000. Pp. 208. $55.00 cloth.)

NEOLIBERALISM AND NEOPANAMERICANISM: THE VIEW FROM LATIN AMERICA. Edited by Gary Prevost and Carlos Oliva Campos. (New York: Palgrave, 2002. Pp. 288. Np.)

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THE POLITICS OF MARKET REFORM IN FRAGILE DEMOCRACIES: ARGENTINA, BRAZIL, PERU, AND VENEZUELA. By Kurt Weyland. (Princeton, NJ: Princeton University Press, 2002. Pp. 336. $39.50 cloth.)

Most of the books under review deal with democratization, democracy, and market reform. They offer a considerable variety of perspectives. Weyland, Corrales, and Eaton have produced the most theoretically ambitious works of political science considered here. They are principally concerned with market reform policies in the early 1990s. Weyland and Corrales also bring their accounts relatively up to date with discussion of more recent events. All three works are substantially about Menem's Argentina. So is Llanos's study, which is not comparative, but is convincing in what it covers. Biglaiser's work is also a serious attempt to understand the politics of economic reform, mainly from the perspective of the military governments of the Southern Cone that ruled in the 1970s and early 1980s. The best general discussion of some central topics in the politics of Latin American development occurs in Payne et al. The editors provide an excellent compilation of information on Latin America's diverse patterns of democratic institutionalization, plus some thorough analysis of key topics, and an intelligent and balanced commentary. The González collection, which constitutes the proceedings of a conference of economists and financial professionals, is very interesting in places, although some of it is inevitably rather technical. It is, though, something of a miscellany. Several chapters in the work have nothing much to do with the second stage of macroeconomic reform in Latin America. Even so, the volume contains chapters that, in a very sophisticated way, deal with issues that should be at the heart of any discussion of the politics of macroeconomic policy in the region.

Nun offers what is essentially an extended essay, which makes a number of provocative and interesting points of a philosophical nature while advocating essentially social democratic values. The work is very well worth reading. The Pérez and the Prevost and Campos volumes are edited collections that contain some interesting pieces. However, they are comparatively light in comparison with the other works under review, and the Prevost and Campos volume is essentially a miscellany. The Pérez collection at least focuses on Panama and has the merit of adding to a rather limited amount of scholarly material on that country.

The Payne volume introduces a central problem. Latin American democracy has survived and in some ways deepened since the 1980s, at least in the sense that there has been (as yet) no clear-cut case of democratic reversal. However, the last twenty years have seen little economic growth, and social inequality has worsened. Governments have also mostly failed to become efficient and equitable service providers. As a result, there has been a growing tendency on the part of ordinary Latin Americans to become disaffected with the workings of their institutions, though this discontent has not yet been translated into any general desire to return to authoritarian government. This state of mind has probably contributed to the success of some political movements in the region that, while not necessarily anti-democratic, are definitely anti-constitutional.

There are several possible ways exploring this situation in more depth. Payne et al. focus mainly on electoral institutions, in the broad sense of the term. There are chapters on electoral participation and on presidential, legislative, and party electoral systems. The authors also discuss the internal workings of political parties and consider the role of party systems in promoting democratic governability. Other chapters deal with presidentialism, the design and performance of accountability institutions such as the judiciary and the role of direct democratic processes such as referendums. All of these topics are treated in a full and thorough comparative context. The book is lucidly written and well organized and shows total familiarity with the main scholarly writings in the area. There is a great deal of interesting and accessible data. The work would make an absolutely ideal text for Masters level students and for more advanced undergraduate classes, as well as being of interest to a broader audience of policy makers and development experts.

Several of the other works considered here are principally studies of the politics of economic policymaking. They are fundamentally institutionalist works and are written to a high professional standard. With the important exception of Biglaiser's book, they are mainly concerned with showing either that strong central government and policy autonomy are not the answer to problems of policymaking in the region, or else that strong government in the region's democracies requires a lot of political negotiation and management skill.

Biglaiser's work mainly looks at the logic of market reform under authoritarian government. Even though the majority of the 1960s and 1970s authoritarian regimes in Latin America were not really market reformers (in some cases not at all), most of the early market reformers were authoritarian regimes. They include Augusto Pinochet's Chile, Argentina (much more tentatively) after 1976, Uruguay (even more tentatively) after 1973, and Mexico in the 1980s. With the significant exception of Bolivia, democratically elected governments in the region did not, for the most part, seriously attempt market reforms before the end of the 1980s. Instead they went mostly for heterodox alternatives that essentially failed.

Biglaiser mainly considers the countries of the Southern Cone under military rule, with the occasional aside directed elsewhere. His formula for policy success under authoritarian regimes is strong presidential autonomy plus neoliberal technocrats. The general pattern was for heads of government to be persuaded of the desirability of market reform but to encounter opposition from within the ranks of the officer corps (much the same story prevailed in post-1982 Mexico with the PRI rather than the military being the skeptics). Most military officers, left to themselves, had economic nationalist sympathies and in some cases hoped to benefit directly from state-owned enterprises and the discretionary advantages offered by various aspects of state interventionism, making them unwilling to support measures such as trade liberalization and privatization. Reforms could only occur when the leader of the government felt sufficiently sure of his position to overrule the many troop commanders' views and both appoint and listen to neoliberal economists. Where there was insufficient presidential control of the regime, market reforms were either blocked or—as in Brazil after Castelo Branco and in Argentina after Juan Carlos Ongania—reversed. Even in Chile, military opposition frustrated the sale of CODELCO and ENAP, the state-owned oil companies, with the result that Chilean privatization—advanced for its time—was in the end more limited than the privatizations later attempted under civilian rule in Argentina and Peru. (Whether this proves to have been a good thing in the long run is another matter entirely.) Biglaiser's descriptive account of policymaking is interesting and convincing, and some of it breaks new empirical ground.

Biglaiser's suggestion that military factionalism can mainly be understood in terms of earlier patterns of military politics is, though, only helpful to some extent. The relationship between a military head of government and his senior officers depended on a complex variety of factors including (though not necessarily limited to) the political climate in which the military seized power, the state of public opinion, relations with civilian interest groups, the international environment, etc. Sophisticated analysis of these factors is lacking in Biglaiser's account, which comes across as rather schematic. It is hard to fault the validity of Biglaiser's central argument, at any rate, regarding the military, but there could usefully have been a more historical dimension to some of the discussion. The other part of his argument, that neoliberal economists formed a strong epistemic community capable of making a major difference in policymaking, is surely valid. The greatest strength of the work as a whole is probably its careful documentation of the growing but varying influence of neoliberal economists in the various governments considered.

Biglaiser then claims that a rather similar logic applies to democracies, with the optimal situation for market reform being a centralized executive backed by the ruling party and in possession of a congressional majority. This is likely to be true in the short term. Indeed it is almost a tautology to say that any government attempting to promote policies that are internally controversial will be better off with obedient supporters and a rock solid majority. Even then, though, a governing coalition can fall apart if it is not carefully managed. There is also the question (which could be put to the authors of some of the other works being reviewed) of whether neoliberal policy achievements have strengthened democracy in the long term.

One problem with the argument for strong central government is that second generation institutional reforms are, for the most part, best achieved by consensus, and heavy top-down tactics aimed at forcing through first-generation reforms may make consensus harder to achieve later on. Long-term policy success in Latin America surely has to be defined in terms of combating poverty rather than carrying through a pre-set neoliberal agenda. It is (at the very least) a tenable claim that measures such as privatization and liberalizing trade reform may be a necessary means to an ultimate end, but unless they are backed up by some kind of effective antipoverty policy, they may end up simply making inequalities worse.

MENEM'S ARGENTINA IN COMPARATIVE PERSPECTIVE

Four major studies, all dealing substantially with the politics of economic policy in Carlos Menem's Argentina, were published in 2002. Apart from anything else, this proliferation rather indicates how crowded the field of political science is becoming. The works also enable us to test whether one can criticize the discipline as George Bernard Shaw once criticized economists—if all the economists in the world were laid end to end, they would not reach a conclusion. Reassuringly, the four works considered here contain no major contradictions. Despite some differences of emphasis, a rather consensual picture emerges. Menem was an effective reformer in his first term of office because he tempered an occasional willingness to use the full powers of the presidential office with excellent negotiating skills to keep his coalition together. In his second term of office, the government essentially ran out of steam and did not do enough to continue the reform policies or even to maintain fiscal stability. This made the incoming de la Rúa administration highly vulnerable to the international economic climate's deterioration. The combined efforts of the four authors, Weyland, Corrales, Eaton, and Llanos, together establish a considerable weight of evidence to support this general picture.

In other respects, the focus of each work is different. Corrales deals with dominant parties, Weyland with policymaking issues concerning risk management, Llanos with the specific policy issue of privatization, and Eaton with legislative politics and specifically the politics of taxation. Three of the works also discuss cases other than Argentina. Corrales compares Venezuela and Argentina, Eaton considers Argentina and the

Philippines, and Weyland looks at Brazil, Peru, and Venezuela as well as at Argentina. There is some overlap, particularly between Eaton and Corrales, but not enough to amount to duplication. Interestingly, although the four authors mostly tell the same story about Argentina, there are significant differences of interpretation between Weyland, Corrales and, even to some extent, Eaton in respect to 1990s Venezuela.

As far as Argentina is concerned, Corrales points out that the relations between Menem and the Peronist Party started badly in 1989 but improved dramatically after 1991. A virtuous circle then developed. Good party management enhanced the credibility of the economic reforms. This led to a reduced country risk premium and to economic recovery, which was in turn good for government-party relations. Weyland's central point is that the Menem government was able to win initial support for drastic economic measures because of the severity of the crisis that he faced when coming to power. However, Menem gradually became more cautious over time as the economy recovered and the currency board appeared to be succeeding. Llanos and Eaton also support the general point that the pace of reform slowed down after 1995. Taxes ceased to rise as a proportion of GDP, budgetary discipline was lost, and Congress became increasingly critical of privatization policies. As Llanos points out, the government relied more on executive decree to privatize state assets after 1995 than it had earlier. This reflected the government's political weakness, not its strength.

Essentially all four authors take issue with the idea that Menem's Argentina was what Argentine political scientist Guillermo O'Donnell famously defined as a "delegative democracy"—in other words a kind of elective dictatorship.[1] On the contrary, Menem's relations with the Peronist Party and the national legislature were at times difficult but never involved a complete breach. Menem was able to calculate, for the most part accurately, what he had to offer to win essential political support and what he could safely demand in return.

Methodologically speaking, Weyland's approach is the most innovative. He argues for a theory of decision making (both individual and collective) based on psychological attitudes toward risk rather than any purely mechanical discounting of expected outcomes. "Prospect theory" claims that people will take risks when they fear or expect losses, whereas the expectation of gains is likely to make them risk averse. "Prior option" theory indicates that once people have been committed to the making of particular decisions they will not readily repudiate them unless they really must. For example, if poor economic results indicate that a change of policy direction might be desirable, it is much

1. Guillermo O'Donnell. "Delegative Democracy," *Journal of Democracy* 5 (1): 55–69 (1994).

more likely that this will happen when the government changes than that a failing head of government will change his mind and his policies. The theory is probabilistic, not deterministic, and Weyland works mainly at two levels, one being public opinion as a whole and the other being governments or campaigning politicians. His approach marks a significant departure from rational choice theory to the extent that this assumes that people maximize their discounted expected benefits from any course of action. Intuitively at least, his argument makes reasonable sense, at least as a way of examining complex situations.

The main empirical implication of Weyland's book is that the crises and hyperinflationary conditions of Brazil, Peru, and Argentina created conditions for radical market reform that are unlikely to be repeated. Faced with hyperinflation, voters were prepared to take real risks. Once economic conditions had improved, however, voter tolerance of further radical reform diminished. Where market reforms were tried and brought about losses—as in Venezuela in the 1990s or Argentina prior to 2001—then voters were likely to experiment by supporting politicians advocating the repudiation of market economics altogether.

Prospect theory would also suggest, accurately enough, that the Venezuelan electorate was much less tolerant of radical reform at the end of the 1980s than the electorates in other Latin American countries were, because Venezuela had not yet suffered hyperinflation or really disastrous recession. Price controls suppressed inflation at the cost of external deficits and the exhaustion of foreign exchange reserves. Carlos Andres Perez, elected for the second time in 1988, was seen by the majority of voters as a safe choice. The shock that resulted from the 1989 stabilization measures was therefore much greater. Subsequently, the political failure of the Perez government made it doubly difficult for the Caldera government to impose similar policies. When it did so in an attenuated form, the resulting fall in living standards opened the way to the election of Chavez.

Yet the Venezuelan case poses some real problems of interpretation, and Weyland is not completely convincing. One question is whether Perez really was fatally discredited after the Caracazo (Caracas riots) of 1989 or whether (as Corrales argues) the economic recovery that developed in 1990 might have been enough to help him recover politically if other circumstances been more positive. Weyland quotes some of his interview sources as suggesting that the government was reasonably optimistic about its own prospects at the end of 1991. Certainly, by February 1992, Venezuelan living standards were rising and had been rising for at least eighteen months. According to a possible application of prospect theory, this should have made the Venezuelan electorate relatively risk averse. Yet there was considerable popular support for the

Chavez coup attempt, which was the riskiest course of political change imaginable. It is not hard to attribute Chavez's 1998 victory to a reaction against a continued decline in living standards, but the support that his coup attempt enjoyed in 1992 suggests an ambivalence among many Venezuelans about liberal democracy itself, an ambivalence that Chavez exploited but by no means created.

Corrales, like Weyland, deals to a significant degree with Venezuela as well as Argentina. He places political parties at the center of his analysis. Rather than just seeking to relate the likely success of policymaking to the strength or otherwise of party systems, Corrales offers a two-level analysis. If ruling parties are strong and supportive of the president (e.g., Menem's Argentina) then the prospects for policy reform are excellent. If ruling parties are strong and unsupportive (e.g., Perez's Venezuela), then the prospects are very poor and the entire system may fail. If the incumbent president does not have sufficient party support for his reforms in the first place, then anti-systems alternatives are possible (e.g., Fujimori's Peru) but not inevitable. This outcome is bad for democracy. The first and third of these outcomes are more or less what might have been expected. However the willingness of strong parties to frustrate the wishes of their own president and thus bring in some powerfully negative-sum politics is something that does seem counterintuitive. Yet, as Corrales shows, this is exactly what happened in Venezuela during the Perez presidency. By confronting this issue head on, Corrales' work makes a definite conceptual advance as well as providing us with an impressively researched work.

There is an obvious further question: what caused relations between Perez and AD (Acción Democrática) to deteriorate so drastically? Corrales only partially attributes poor Perez-AD relations to policy disagreements, and instead blames poor party management and political-institutional problems (rather than ideological ones) within the AD for the disagreements. Perez was evidently an appalling party manager. He had faced problems with his party during his first term of office, when general conditions for governing Venezuela were favorable, and the problems became more severe the second time around. Meanwhile, in the late 1980s, AD leaders were largely blind to the severe threats that their system was facing. Corrales discusses a range of factors, including hubris brought about because AD had been electorally successful for many years and saw no need to change. There was also a set of internal organizational arrangements that militated against reform. Finally there was Venezuela's famous "partidocracy," which meant that AD and the main opposition party COPEI were much closer together psychologically than the Peronists and the Radical party were in Argentina. It was therefore easier for AD to ally informally with COPEI to make life difficult for an AD president than would have been the corresponding case in Argentina.

What Corrales does not sufficiently cover is the possible counterargument that AD was pulled away from Perez by its need to position itself vis-à-vis new forms of political competition that were as much anti-system as anti-government. Causa R, a new party, achieved some unexpected success in the 1989 governorship elections and added a militant edge to opposition, particularly in the trade unions. Even more important, Corrales gives little weight in his explanation to the Chavez coup attempt of February 1992. He argues, rather, that Perez's reform initiatives were doomed by the autumn of 1991 rather than simply going through a period of difficulty. But this point is not empirically self-evident. If the coup attempt had met with the popular rejection that the constitutional authorities originally hoped for, then the result might have been a rallying of support to Perez. The reasons why the coup attempt did not have this effect had less to do with AD than with other political forces. These forces included the Caldera's willingness to express support for coup leaders' aims, a political step for which he received a strong electoral reward. They also included the willingness of powerful business interests to play games with the military rather than encouraging civilian politicians to close ranks. Above all, there was the fact that the coup attempt was popular among a large number of Venezuelans, whereas a similar attempt in Argentina in 1990 met almost universal repudiation.

Both Weyland and Corrales avoid the habit that is common to many experts of Venezuela, which is to assume that the country is structurally different from others in the region because of its abundant oil production. Corrales is surely right to point out that Venezuela's problems—patrimonialism, protectionism, and what he calls the "fog-like" state—are by no means unknown in the rest of the region. Furthermore, some of the psychological effects of oil can be captured by prospect theory (as long as the context is explained). Certainly one reason why the Venezuelan economy did not deteriorate as drastically as others in the region at the end of the 1980s was the fact that there was a continued flow of oil revenue. The complete collapse of the fiscal basis of government, which happened in Peru under Alan Garcia, was not replicated in Venezuela. Whatever other catastrophic mistakes Jaime Lusinchi and Perez may have made, they at least avoided a major oilworkers' strike.

Eaton, too, cannot avoid some mention of Perez's Venezuela. His theoretical argument is that legislators in weak party systems are more likely than those in strong party systems to block government legislation and seek particularistic relationships with the bureaucracy. As far as the bureaucracy is concerned, better policy performance will matter to the collectivity and so feed back into enhanced performance by the ruling party. Eaton contrasts Argentina's party-centered political system with the Philippines' candidate-centered political system and argues that the former is more conducive to reform than the latter. Eaton seeks to make his case empirically by looking at comparative tax efforts involving Fidel Ramos of the Philippines and Argentina's Menem.

Still, it is not clear that his argument works for Venezuela. In the early 1990s, the Venezuelan government was a very party-centered system, which did not help the cause of reform at all. Eaton is aware of this point. He tries to deal with it by arguing that Perez had less leverage over AD than Menem had over Peronism because Perez had no possibility of reelection. Yet this does not really explain why there was some tax reform in Venezuela after Perez fell from office, by which time the party system was in rapid decay. In fact, while Venezuela's market reform record in the 1990s was generally very weak, there was some progress made in increasing non-oil taxation. Of course Venezuela may well be an unusual case. It is certainly a case that has created problems for a whole generation of experts in comparative politics.

Another problem with Eaton's discussion (which he fully recognizes himself) is that the success of Argentine tax reform policy was in fact rather short-term. Taxation as a proportion of GDP in Argentina rose from 9.6 percent in 1989 to 17.9 percent in 1993 but then failed to increase further. In 1999 it was only 17.6 percent. Eaton's key premise, though, is that Argentine tax policy under Menem was essentially a success—and it certainly may have been so compared to the Philippines. Argentina's progress was limited largely because the government failed to reform sufficiently the bureaucratic structure of the tax collection agency itself. Moreover, Menem's request for additional delegated powers at the end of 1995 (which would have led to further increases in taxation) was sharply limited by the Argentine congress. The pattern that actually emerges from Eaton's work is rather similar to that shown by the other authors being reviewed, which is that Menem's first presidential term was highly unusual, in the Argentine context.

Llanos' work is a competent though limited policymaking study that deals almost entirely with Argentina. It discusses mainly the role of Congress, and its main contribution is to suggest that we need to treat with reserve the idea that Menem enjoyed an extreme form of presidential power. Like Corrales, Llanos concludes that political management (what she calls leadership) is an important independent factor in influencing outcomes. Llanos' work deals mainly with the way in which privatizations were either decreed or (in the most important cases) legislated. However, there is not much on the implementation of privatization, which is a pity because it is an interesting area. It may have been that the perception that some of the earlier privatizations were scandalous, or at least disappointing in their consequences, that (in part) hardened opinion against the later privatizations and reduced their chances of being approved by congress.

POSITIVE AND NEGATIVE CITIZENSHIP

The other books under review are more diverse. Nun considers the relationship between democracy and public policy in what are essentially philosophical terms. Are free market economics capable of creating that sense of citizenship crucial to democracy? Nun expresses serious doubts. He is, quite reasonably, critical of theories of democracy that claim that only voting matters, making the point that voting only works well under certain conditions. He is, more controversially, critical of theories that free market capitalism and democracy on the whole go together. His key point is that social inequality was in decline across the first world during the period when the majority of what are now democracies were being consolidated. State policy was, at least in Europe, directed precisely toward limiting extremes of inequality at the time when democracy most needed to be consolidated. The opposite has happened in Latin America. Poverty and inequality have both increased in the region over the past twenty years and state policy has often been regressive. Market reform might have been successful in bringing down inflation and, in a more limited way, in getting economic growth restarted after the disasters of the 1980s, but it has done little to relieve poverty and nothing at all to reduce inequality. The result has been to deny Latin Americans that combination of economic growth and effective anti-poverty policy that facilitated the democratic reconstruction of Western Europe after 1945.

Nun looks at this experience of democratic construction and gives a lot of weight to the development of welfare states as stabilizers of democratic systems. He argues that these depend on a concept of active citizenship that, in turn, rests on a concept of positive liberty (which Nun attempts to rescue from the criticisms of Isaiah Berlin). He presents a spirited argument, admittedly with more insight than system, but his conclusion is rather aspirational. He does, though, confront two major problems with what might be called a social democratic position. One is that many people on the Left, particularly in Latin America, are distrustful of the state. They are revolutionaries or anarchists rather than believers in routinized, inequality-limiting government. The other is that problems of tax collection have to be resolved before any state can do much to help its poorer citizens. As discussed further below, this is a real problem. One point that he does not discuss much is whether a European-style social democracy requires an autonomous and reasonably honest bureaucracy. European bureaucracies are generally "Weberian" whereas most Latin American public bureaucracies are dependent on political appointment—generally far more so than in the United States. Despite such problems, there is a possibility that the current popular rejection of neoliberalism by many Latin American electorates may lead some governments toward a moderate social democracy. Nun discusses Uruguay as an example of a country where there is less inequality than elsewhere, perhaps at the price of lower growth, and where the legitimacy of democratic institutions is much higher than the Latin American average.

There is a much more technical discussion of economic issues in the González et al. book, though this is slightly dated in that it consists of conference papers that were completed before the Argentine loan default. Many of the articles in the collection will be useful for readers with a background in monetary economics (non-economists may find some of the discussion rather technical). The articles cover a considerable range of topics of which two, taxation and exchange rate policy, are absolutely critical for political scientists interested in the politics of market reform. There is also an interesting introductory chapter by José Antonio González and Anne Krueger. These authors point out that most countries in the region made considerable progress in reducing public sector deficits and the inflation rate during the 1990s, without much improvement in the overall growth rate. In other words (and the same conclusion would apply to privatization, trade reform, and other market reform policies), most Latin American governments made major efforts to reform their economies and enjoyed few benefits as a result. In González and Krueger's account, the region's vulnerability to external shocks receives much of the blame for this.

This vulnerability highlights the importance of exchange rate policy. Gil Díaz (at the moment Mexico's finance minister) argues provocatively that fixed or crawling peg exchange rate regimes in developing countries contain the seeds of their own destruction in the long run, almost irrespective of domestic political-institutional problems. Moreover, market-reforming governments have typically liberalized their financial markets (in the case of Mexico under Salinas this involved privatizing the banking system) and regulated them poorly as well. As a result, problems in the banking system put monetary policy under pressure and led to a fatal lack of congruence between monetary and exchange rate policy. This led to disequilibria whose effect was to offer a "one-way" bet to anybody wishing to speculate against the national currency. The result was often a vicious circle in which pressure on the banking system undermined exchange rate policy and the abandonment of fixed or semi-fixed exchange rates under disorderly circumstances caused deeper crises in the banking system. Gil Díaz's paper is provocative rather than convincing (Roberto Zahler's comment piece, also published in the volume, is quite critical and makes one think of Bernard Shaw's comment about economists), but it does highlight a major difficulty with market reform policies.

In fact, in the larger Latin American countries, market-reforming presidents such as Mexico's Carlos Salinas, Argentina's Menem, and Brazil's Fernando Henrique Cardoso all adopted fixed or semi-fixed exchange rate policies in order to bring down the rate of inflation. Nondemocratic rulers such as Pinochet in Chile and Jorge Rafael Videla in Argentina also experimented with non-floating exchange rates. In the short run, these appeared to work in the sense that inflation was indeed reduced. Moreover the positive confidence shock that resulted from falling inflation had the effect of bringing capital into the country and setting off a short-run boom. The combination of lower inflation and faster growth had the effect of increasing the popularity of democratic governments and making it easier for governments to attempt further market reform policies, thereby creating a virtuous policy circle. For example, all of the works on Menem's Argentina reviewed here regard the country's 1991 adoption of a currency board system as absolutely fundamental to the success of Menem's other policies. However, there comes a time when the virtuous circle goes into reverse, monetary imbalances develop, creditors lose confidence, and the exchange rate becomes untenable. Exchange rate crises leading to enforced devaluation (and in Argentina's case, default as well) have done much to undermine the credibility of market-reforming governments and, indeed, policies. For example, the statecraft behind Menem's economic management in retrospect looks much less impressive than it did a few years ago.

Another issue discussed in the volume is taxation. Tanzi's general survey of this issue is an empirically rich discussion of a topic that should be absolutely central to any overall discussion of democracy and development in Latin America. In 1999, the total tax revenue of central governments amounted to less than 20 percent of GDP in every country in the region except Nicaragua. There was some upward trend in tax collection during the 1990s in several countries—including Argentina and, perhaps surprisingly, Venezuela. In countries in which there was a clear upward tendency in tax collection during the early 1990s, however, there was generally a leveling-off from the middle of the decade. Latin American tax collection effort is therefore insufficient to prevent most democratic governments facing a central dilemma—either to rely on market-oriented policies that do little or nothing to reduce poverty, or to adopt fiscally unsound policies that risk inflation, bankruptcy or both. Moreover such tax collection as there is tends to be regressive. Because it is very difficult to collect significant sums from income tax in Latin America, value-added tax (VAT) has had to be used much more. The degree to which VAT is collected successfully varies across countries, with Chile at the top of the list and Mexico near the bottom. However, broadly and in general, tax reform—like exchange rate policy—has been one of the weaknesses of most market-reform strategies since 1990.

The Prevost and Campos book includes some interesting essays but lacks an organizing theme. It is also rather uneven in quality with some quite sophisticated pieces sitting next to "idiot's guides" to particular issues. To the extent that the collection focuses, it does so on trade and diplomatic issues. For a work with *neoliberalism* in its title, there is surprisingly little on globalization or the international financial institutions. One of the more interesting pieces in the collection is Vanden's comparative study of Nicaragua and Costa Rica, which does indeed discuss globalization but in a way that highlights differing national realities. Superficially the two countries would seem to have quite a lot in common, but Nicaragua's (post-Sandinista) efforts to develop on the basis of neoliberal policies essentially failed. The Nicaraguan budget is now heavily dependent on soft loans or grants from abroad. Costa Rica's adaptation, however, has proved much more successful.

Perez's edited work on Panama is useful as far as it goes, but could easily have gone into a bit more depth in its treatment of at least some issues. Nevertheless, given the fact that Panama is not the most heavily studied or covered of the Latin American republics, this contribution is welcome. There are interesting but rather short chapters dealing with legislative-executive relations and political parties. Furlong's chapter on foreign policy does provide some interesting numbers. It is noteworthy that the United States has not substantially increased its share of Panamanian trade following the 1989 invasion. Rather, the economy has become much more open and the United States has retained an existing share of a larger total.