REVIEW

by Philip O'Brien


"Financing Development in Latin America" consists of seven essays and a lengthy introduction by a group of economists who represent a point of view that is fairly widespread in Latin America, but which in the Anglo-Saxon world is often regarded as unacceptable for professional economists. This point of view is summed up in K. Griffin's introduction: "monopoly, inefficiency, inequality and slow growth are likely to persist as long as the political character of the region remains unchanged".

The introduction is really another essay, for in it Griffin puts forward, with some evidence, the interesting hypothesis that "the concept of monopoly power is the key to understanding Latin America". Unfortunately the seven essays which follow ignore this "key" concept. This is a pity, and it is to be hoped that monopoly power and its consequences will receive fuller treatment in another book.

Nearly all the essays are hard-hitting in their attack on conventional wisdom. Griffin gives what are now becoming his familiar arguments against foreign capital, and although his evidence is based on somewhat unconvincing regressions, there is much to recommend his analysis. Rosemary Thorp ably summarises the state of the debate between structuralist and monetarist theories of inflation. She argues that both the structuralists and monetarists have not faced up to political realities. Nevertheless, based on the evidence she has mustered, she concludes that the structuralist framework is the more convincing. Her position might have been made much stronger if she had analysed in more detail why ex-President Frei's so-called structuralist programme failed to solve Chile's inflation problem - if only to show that the programme was not really a structuralist one.

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In other essays T. King shows the difficulties of coming to any conclusions about the factors determining private savings in Latin America. However, somewhat surprisingly, he does think that a more equal income distribution would reduce total savings. J. Arrate and L. Geller make a welcome break with conventional public income and expenditure classification, and argue that the method of analysis should centre on the concept of economic surplus. L. Whitehead has very usefully brought together much of the scattered information on public sector activities to show that "even the most profitable sectors of public enterprise are rarely able to fully finance their investment needs", and that their pricing policies usually entail swelling the profits of the private sector. He also shows how social security assets tend to finance the current consumption of the middle sectors rather than development investment.

However, although all the essays are stimulating and make many excellent points, it is strange that a book purporting to give crucial importance to the role of institutions and political processes still uses "Latin America" as a unit for discussion. Even when Latin America is disaggregated into countries there is a tendency to lump together, for example, Cuba and Argentina as "mixed (dual) agrarian structure, with commercial dominant", and Peru, Brazil and Mexico as "transitional agrarian structure, with traditional dominant" - as A. Domike and V. Tokman do in "The Role of Agricultural Taxation in Financing Agricultural Development in Latin America".

The social sciences must generalise, but the time has surely come, after the thousands of tons of E.C.L.A. publications, to stop generalising about Latin America or the Latifundium. How institutions operate, and how they affect the structure and performance of an economy need to be discussed in terms of individual countries or else superficial similarities between countries will be emphasised at the cost of important differences.

Finally every author in this book appeals to "political realism", and would agree with the conclusion of L. Thurow's essay: "Development Finance in Latin America: Basic Principles" that "in the process of economic development economics must play a subsidiary role", yet not one discusses social movements. A Cowboy and Indian view of politics is a travesty of political realism.