

Given that many Latin American countries need a larger fiscal state, it will be important in future work to develop a more rigorous analytical framework behind the political economy of the internal and external constraints on fiscal policy space in the age of globalisation. One such constraint is the intense competition among governments in Latin America and elsewhere to attract foreign direct investment through incentives that often include zero tax rates in export processing zones. Agosin et al. and Sánchez-Ancochea highlight the perilous budgetary consequences of this constraint and the need for collective action at the regional and global level to loosen it. Another important constraint stems from the bilateral trade and investment agreements that many countries in the region have signed with the United States, which allow foreign investors to bring claims against the host country government when changes in regulation, for example in the tax structure, reduce their profitability, and where governments agree to abide by the results of compulsory investor-state arbitration outside of the host country's jurisdiction. Why did some Latin American governments sign these agreements (for example, in Central America and Peru), while others did not (for example, Brazil), and still others decided to push the boundaries and revoke the agreement (for example, Ecuador)?

To gain further insights into the political economy of budget reforms, a comparative analysis with countries that face similar constraints and that have had successful reforms may be more fruitful than a comparison with the United States. Nonetheless, for understanding the political economy of forging a social consensus behind tax reform, Ippolito shows that the US experience provides interesting lessons. He describes how the Tax Relief Act of 1986 could be passed with bipartisan support because both Republicans and Democrats felt that part of their agenda had been realised: for the former, it meant a significant reduction in marginal tax rates, and for the latter, it meant the abolition of many tax exemptions and the elimination of income tax liability for six million low-income payers.

This volume, written and published before the world economic crisis hit in the second half of 2008, focuses on the important structural problems of spending, taxing and borrowing in the Americas. The global crisis has added even greater urgency to the task of understanding the political economy of the public budget and the ways in which Latin American governments can expand their fiscal policy space.

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Stephan Klasen and Felicitas Nowak-Lehmann (eds.), *Poverty, Inequality and Policy in Latin America* (Cambridge MA and London: Massachusetts Institute of Technology Press, 2009), pp. vi + 324, £22.95, hb.

This book is based on a 2005 conference at the Ibero-America Institute for Economic Research in Göttingen, Germany, and provides a useful benchmark set of papers on empirical economic analysis of inequality across the region. An overview chapter by the editors starts by asking why inequality re-emerged as a research issue at the beginning of the decade. New and better datasets confirmed its persistence at a high level in comparison with other parts of the world, along with relatively low rates of social mobility. Inequality was also found to be a significant depressor of national GDP elasticities of poverty reduction, and to contribute directly to economic insecurity and subjective ill-being. Even more importantly, the architects of

economic reforms were presented with mounting evidence that inequality could be detrimental to economic growth itself, not least as a source of political instability.

The editors suggest that there exists an incomplete understanding of inequality in five areas: its historical origins; intergenerational transmission; the distinction between income inequality and inequality of opportunity; the role of spatial poverty traps; and the effect of different policies on inequality, particularly macro-economic policy and cash transfer programmes. Seven chapters explore one or other of these themes with country-specific data: four from Brazil and one each from Mexico, Peru and Bolivia, as discussed below. These are preceded by a historical analysis of colonial determinants of land inequality in Latin America compared to West-Central Africa, and their effects on subsequent income inequality in the two regions. The author, Ewout Frankema, finds that while the direct effect of land inequality on unequal control of income from export crops was similar in both, in Africa this was associated more strongly with the formation of urban elites resistant to progressive change that might weaken their predatory power over labour.

The first paper on Brazil, by Cogneau and Gignoux, offers a detailed statistical analysis of the effect of the country's highly dualistic educational system and labour market on income inequality during the period 1976–96. They conclude that educational changes affecting those in the labour market during this period were not large enough to affect earnings inequality significantly: in contrast, a general decrease in returns to education did have some equalising effect on labour market opportunities. In the next chapter, Phillippe Leite reveals that black–white wage differentials in 1996 in south-east and north-east Brazil can largely be attributed to underlying inequality in schooling rather than discrimination in the labour market itself, particularly in the poorer and more unequal north-east. De Vreyer and Spielvogel address geographical differences during the same period later in the book, finding some convergence in average incomes of municipalities in the south-east in contrast to a polarisation of rich and poor clusters of municipalities in the north-east. Together these chapters highlight the deep structural determinants of inequality in Brazil. This is reinforced in a later chapter by Immervoll, Levy, Nogueira, O'Donoghue and de Siqueira, who use a micro-simulation package to highlight the lack of progressivity in the country's tax-benefit system. For example, they estimate that 60 per cent of pensions (amounting to 94 per cent of cash transfers in the system) flow to the top income quintile.

While insufficient to permit any cross-country analysis, the three other chapters in the book provide additional evidence of the complex structural determinants of within-country inequality. An empirical analysis of spatial poverty by De Vreyer, Herrera and Mesple-Soms finds that variation in consumption growth in seven localities in Peru from 1997 to 2000 can be attributed more to socio-economic factors and public goods provision than to purely geographical characteristics. Behrman, Parker and Todd's report on a randomised control study of the Oportunidad conditional cash transfer programme (predecessor to Progresa) in Mexico finds significant increases in schooling and rates of outmigration among boys, but no significant effect on learning outcomes or employment. Lastly, Schweickert, Theile and Wiebelt use a computable general equilibrium model to demonstrate how dollarisation of the Bolivian economy after 1990 limited its capacity to protect the poor from external shocks.

The main value of the book is perhaps as a showcase of the diverse and sophisticated statistical methods that economists are able to use to analyse inequality as

additional data become available. It is hardly news that inequality in Latin America is important, complex and intractable, but, as with climate change, it is also interesting to consider structural inequality in Latin America as a ‘wicked problem’ better tackled through a battery of disparate lines of analysis and associated policy prescriptions than through a grand unifying theory and the quest for ‘magic bullets’. Certainly, the book serves as a useful counterpoint to the lavish attention devoted in other quarters to conditional cash transfers, but at the same time, the emphasis on fine-grained empirical analysis does risk a loss of big-picture understanding of the political economy behind the resilience of inequality, such as is to be found in Adolfo Figueroa’s *Unified Theory of Capitalist Development*, recently and belatedly published in English.

Another interesting counterpoint to reading this book was attending the latest congress of the Latin American Studies Association, held in Rio de Janeiro in June 2009. This comprised no fewer than 1,270 panel sessions, most of them organised around the conference theme of ‘rethinking inequalities’. Very few papers presented there matched the level of technical economic virtuosity presented by the authors of this book, but what was on offer, and is rather limited in the book, was engagement with the political economy of policy process, as well as systematic cross-country empirical accounting of the sources of economic inequality across the region. A sequel of selected papers of the same standard on the same theme, picking out some of the best research contributions in the intervening five-plus years, would represent a major contribution to the literature.

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Clara Irazábal (ed.), *Ordinary Places, Extraordinary Events: Citizenship, Democracy, and Public Space in Latin America* (Abingdon: Routledge, 2008), pp. ix + 254, £75.00, hb.

This book represents a great contribution to Latin American urban studies and particularly to the role of public space in the construction of recent Latin American urban history. Clara Irazábal puts together a multidisciplinary approach with case studies of significant public spaces in nine Latin American cities that help the reader expand the notion of the public sphere to the spatiality of the physical urban space. The role of space in politics of culture is analysed in depth through the ‘extraordinary events’ that have constructed a collective significance around these urban elements.

An introduction and opening chapter by Clara Irazábal sets the political and cultural framework of the book and clarifies the definitions of citizenship, democracy and public space in Latin America with diverse and contemporary theoretical perspectives. The contributors – architects, planners and sociologists – explore the dynamics and development of democracy and citizenship in significant physical urban spaces in the cities of Mexico City, São Paulo, Santiago, Lima, Bogotá, Caracas, Buenos Aires, Havana and Santo Domingo. These well-assembled studies provide the reader with the opportunity to compare these cities with similar cultural and political trajectories on the common premise that urban spaces can be envisioned as a palimpsest of historical layers where significant history-making events consolidate or transform them.