Benedicte Bull, Fulvio Castellaci, and Yuri Kasahara, *Business Groups and Transnational Capitalism in Central America: Economic and Political Strategies*. New York: Palgrave Macmillan, 2014. Figures, tables, notes, bibliography, index, 236 pp.; hardcover $110, paperback $105, ebook $79.99.

Those acquainted with Central America are probably aware of the story of the 14 families in El Salvador, a quasi-myth about the Salvadoran coffee oligarchy: 14 families whose influence extended to pulling the strings of politics and economics in their own favor. The most legendary aspect of that story is the figure, 14. Maybe this number is cabalistic for some or is fixed in the collective unconscious of Salvadorans, since the country is politically organized into 14 departments. However, according to Victor Bulmer-Thomas, by the time the myth was born in the early 1900s, El Salvador had about 60 influential families (*The Political Economy of Central America Since 1920*, 1987, 340). The least fantastic parts of the story are that business elites have been truly influential in El Salvador—as compared to other Central American nations—and that they often, as in other parts of Latin America, come from a few families, who nowadays own firms in different sectors and maintain important political, economic, and social connections.

Perhaps in other parts of Central America, most business families do not attain the legendary status afforded to their Salvadoran counterparts, but surnames such as Botrán in Guatemala and Pellas in Nicaragua will ring a bell to a few, and the company name Ingenio Taboga will, for Costa Ricans, bring to mind the name of a former president. Some readers will know that although the capital of Honduras, Tegulcigalpa, is located in the heart of the country, the north coast, particularly San Pedro Sula, is as politically influential as it is for doing business. And outside Central America, more recently due to the Panama Papers, Panama will probably be associated with financial services worldwide. These examples are a taste of the rich variation in the intersection of business, economics, and politics that can be found in the Central American isthmus, a geographically and economically small region that, as this monograph by Bull, Castellaci, and Kasahara (henceforth BCK) shows, has much to offer for the theoretical, empirical, or applied social scientist interested in the intersection of these three areas.

BCK focus on diversified business groups (DBGs). They define these as "a set of legally independent firms, operating in multiple (often unrelated) industries, which are controlled by a family or family network through direct ownership, mutual shareholdership, or other forms of persistent linkage" (7). There are other forms of business group, but the one BCK study is the prevalent indigenous one in Central America and Latin America (see, respectively, Alexander Segovia, *Integración real y grupos de poder económico en América Central: implicaciones para la democracia y el desarrollo en la región*, 2005; Ben Ross Schneider, *Hierarchical Capitalism in Latin America: Business, Labor, and the Challenges of Equitable Development*, 2013).

There exist several works about business elites and their political connections in each Central American country. Nevertheless, to my knowledge, BCK's is the first that attempts to make a more serious data collection effort to understand compara-

DOI 10.1017/lap.2018.15

tively and systematically the connections between contemporary business, political, and economic development in Central America. The book is ambitious, which, in my opinion, is both a virtue and a weakness. BCK seek to explicate three principles and answer a set of complementary research questions. Their main questions are, "what strategies do [diversified business] groups apply to confront the changes in the international political-economic context? What can explain the differences in choice of strategy? And what is the impact of those strategies for the development of the six Central American countries?" (2).

The authors' aim is to make a contribution to different literatures. First, they engage with the debate in the business literature about whether DBGs are paragons of development or parasites. Second, they explore the different strategies business groups take in the context of challenges and opportunities brought by globalization. Third, they engage in the varieties of capitalism discussion, particularly about the specificities of the hierarchical capitalism category developed by Ben Ross Schneider (e.g., Schneider 2013).

Schneider argues that in contrast to more industrialized regions, Latin American market economies are characterized by the strong presence of multinational corporations, DBGs, low-skilled labor, and segmented labor markets. In this context, for example, firms have few incentives to invest in education, as they—particularly DBGs—do not usually demand high-skilled labor. Moreover, the combination of proportional representation and presidential forms of government reinforces these relationships (Schneider 2013, 4). He particularly focuses on large Latin American economies—Argentina, Brazil, Chile, Colombia, and Mexico—which might make the skeptic wonder whether his characterization holds in smaller systems. It is one of these voids that BCK try to fill.

In contrast to Schneider's description of hierarchical capitalism, BCK find that market economies in Central America tend to have more atomistic labor relationships and lower skills (BCK, 33). In particular, Guatemalan and Salvadoran DBGs tend to expand abroad (they become multinational companies), but mostly within Central America, something that could be partly explained as a result of their political systems. More interesting is that DBGs would use their "extensive networks of contacts with other, often family-based, diversified groups" to invest in certain areas and control the market of goods and services, often creating entry barriers for international competitors (34). These features are more associated with network market economies than hierarchical economies, BCK contend, and are mostly present in Guatemala, Nicaragua, Honduras, and to some extent, El Salvador. Costa Rica and Panama, conversely, approximate Schneider's hierarchical market economy model.

To support their theory empirically, BCK appeal to a battery of qualitative and quantitative research methods. In particular, it is worth noting their original database, collected through interviews systematically conducted with representatives of 67 Central American DBGs. Indeed, this is understandably an effort not frequently seen in this literature. Armed with this information and a deep knowledge of socioeconomic changes in Central American countries since the 1980s, the authors provide a thorough characterization of contemporary DBGs in Central America and the environment in which they operate. In this regard, chapters 3 and 4 are empirically very rich and worth reading thoroughly.

Chapters 5 and 6 statistically test hypotheses about what factors explain the strategies companies choose in the face of more internationalization, and whether DBGs in Central America are paragons or parasites of development. They test their hypotheses using cross-sectional data from the World Business Environment Survey for a larger Latin American sample and the Central American subsample. I was particularly interested in their analysis of DBGs as paragons and parasites of development. The paragon idea suggests that in weak institutional contexts, DBGs can contribute to institutional and economic development, whereas according to the parasitic perspective, they are viewed as taking advantage of institutional voids for their own gain.

The statistical analysis presented in chapter 6 reinforces most of the patterns BCK found in their qualitative analysis; namely, that DBGs tend to exhibit more parasitic behavior in Guatemala, Honduras, Nicaragua, and to some extent, El Salvador. Conversely, the stronger institutional environment in Costa Rica and Panama contributes to a perspective of DBGs as paragons, bringing them closer to the characterization of hierarchical market economies.

Again, one of the book's weaknesses, in my opinion, is its ambition. Business, economics, and politics endogenously co-evolve, and variation in business structures can be expected. In this way, DBGs will correlate with many aspects of politics and economic development. While BCK build a very neat and convincing argument, supported by empirical evidence in the first chapters, to tease out the causal connections is a very challenging endeavor. In this regard, I would have liked to see more about causal mechanisms in the comparative (small-*n*) chapters (7 and 8). In chapter 7, a more detailed explanation of case selection and observations would have been desirable. More problematic was chapter 8, on the interaction of political institutions and the strategies of DBGs, since it uses several pieces of anecdotal evidence, and it is not clear how this systematically relates to the institutional environment and strategies of DBGs.

Nevertheless, the many virtues of this monograph outweigh its weaknesses. I consider this a very interesting piece of research that is empirically very rich, for the most part. It makes a contribution that both theoretically and empirically adds to the debate on business and politics in general and the varieties of capitalism in particular. I recommend this book to researchers working in these two areas, but also to the comparativists specializing in Central America, since it provides a deep understanding of contemporary political economy in this region. The applied social scientist working in development in Central America will also find it extremely useful. Those working in other regions of the world will want to read it to understand similar development processes. Now, if the reader likes to collect books, be aware that its list price might be discouraging: $105 the paperback edition in the U.S. market. The ebook is cheaper, but still prohibitive at $79.99.

Juan Muñoz-Portillo
University of Cambridge