

What makes Posner's analysis here especially interesting is his use of empirical material, in the form of interviews conducted in 1993, 2001 and 2006 in three distinct *poblaciones* (urban shanty towns) in Greater Santiago, with a range of municipal representatives and community leaders and activists. More than anything, the interviews reveal 'a pervasive sense of alienation and frustration ... in general ... local leaders expressed serious scepticism regarding the concern of party leaders for the needs and interests of the *pobladores*' (p. 87).

Posner argues that much can be attributed to the institutional constraints imposed by the military as part of the transition to democracy – for example, the binominal electoral system – which have ensured the perpetuation of the structural conditions that destroyed the linkages between left-wing political parties and their constituents. The nature of the system has assigned greater political and legislative power to the favoured parties of the military regime than would otherwise have been the case. Consensus on economic policy between the Coalition parties and the right-wing opposition has resulted in a commitment to maintaining political stability at the expense of the mobilisation of social demands. As Posner argues, the popular sectors are mobilised for winning specific electoral contests, but this is done through modern campaign techniques such as mass media advertising that leave no space for the organisation and action of traditional party militants (p. 71).

Moreover, the binominal system compels political parties to form pacts, which has led to ideological homogenisation among the parties of the Coalition and exclusion of the far Left (p. 82). This has limited the Coalition governments' ability to implement more progressive and democratic reforms and consequently compromised the parties' ability and willingness to respond to popular sector demands. Policy debates remain technocratic, with social welfare reforms being negotiated at the highest levels of the party leaderships, removing the scope for inclusion of any demands from the Coalition's own social constituencies.

Through his comparative analysis of Mexico and Argentina, Posner is able to conclude that, despite significant differences in all three cases, overall the imposition of neoliberal reforms has created the conditions that have constrained popular sector participation and unity, and prospects for change are limited. He calls for further research to determine the extent to which this pattern prevails across the region and whether or not it represents a new state–society matrix.

Despite the heavy focus on Chile, the highly readable style of this book should appeal to readers with a broad interest in the politics of participation and processes of democratisation. The comparative element in the final chapters also ensures that the book offers something more than a one-country case study and provides a useful framework for asking what political opportunities there are for the urban poor elsewhere in Latin America and beyond.

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Diego Sánchez-Ancochea and Iwan Morgan (eds.), *The Political Economy of the Public Budget in the Americas* (London: Institute for the Study of the Americas, University of London, 2008), pp. xiii + 263, £20.00, pb.

This timely collection of essays addresses one of the most critical issues in Latin America and the United States in the early twenty-first century: the political

economy of the public budget. The editors suggest three major commonalities and differences between the United States and Latin America as the main reasons for including these two regions in the same book. Firstly, the United States, like most Latin American countries, has a small fiscal state, with relatively low tax and public spending ratios. The United States has one of the lowest tax ratios among OECD countries, and in many Latin American countries, especially in Central America, the tax ratio is significantly lower than expected, given the characteristics of their economies. Secondly, the US government, unlike its counterparts in Latin America, faces much less stringent constraints on its fiscal and current accounts, as foreigners are willing (and, until recently, eager) to hold US debt. And thirdly, the budget situation in both the United States and Latin America is not sustainable and needs to change, though for different reasons. In the United States, the projected increase in non-discretionary spending (Medicare, Medicaid and social security) due to demographic changes will lead to unsustainable deficits unless there is a change in spending or taxing policies. In Latin America, sustainable future growth requires an increase in public spending on social issues and infrastructure, and for most countries that means that tax revenue has to rise, since increasing debt is often neither an option nor sustainable.

The chapters are grouped into two main sections, one on the internal and external determinants of public budgets, and the other on tax reforms and other policy issues. The first section includes interesting case studies of Argentina in the late twentieth century (Colin Lewis and Andrew Mitchell), Brazil under Lula (Edmund Amann and Werner Baer), and the United States since the Second World War (Dennis Ippolito). It also has two chapters that capture well the different policy space that Latin America and the United States occupy in international economic relations, a chapter on foreign exchange and foreign debt dynamics in Latin America (Carlos Schonewald da Silva and Matías Vernengo), and an analysis of the link between the public budget and the current account deficit in the United States (Iwan Morgan).

In the second section, on tax reform, the chapters have a more explicit focus on political economy and policy analysis. The section includes very informative studies of the tax reforms in Central America earlier this decade, one focusing on the details and economics of the reforms (Manuel Agosin, Roberto Machado and Aaron Schneider), the other on how different obstacles to fiscal reform warrant different political tactics depending on the nature of the political parties involved (Aaron Schneider). Dennis Ippolito provides a very interesting account of the determinants of US budget policy over the last 50 years, and of how Democrats' and Republicans' different understanding of the size and role of the government has shaped budget confrontations and compromises over the past decades. Diego Sánchez-Ancochea provides an excellent chapter on public budgets and income inequality in Latin America, where he makes a strong case for the social and economic need for the provision of universal social services; he highlights that there are three different types of welfare state among Latin American countries and suggests that expansion in service coverage may have to proceed differently in each case.

The book lacks an overarching analytical framework and fails to give deliberate and consistent attention to the comparative aspect of the enterprise, and this makes the volume as a whole somewhat weaker than the sum of its parts. Nonetheless, the chapters raise many important issues on which to build in future research.

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