

Book Review

– *Neoliberal resilience. Lessons in democracy and development from Latin America and Eastern Europe*, by Aldo Madariaga, Princeton University Press, 2020

Why was neoliberalism more stable in some countries than in others? Madariaga's provocative answer to this question is that "neoliberalism survived where it was protected from democracy" (p. 250). The argument becomes less polemic once the reader realizes that Madariaga speaks mainly of protection from the representational dimension of democracy. For Madariaga, neoliberalism is as much a political as an economic project, and politically it is about silencing the voice of its losers, either by constraining political representation or by weakening business support for heterodox economic policies. In an innovative cross-regional research design, Madariaga's purports to show this by analysing the cases of Chile, Argentina, Estonia, and Poland, four countries that not only share similar levels of GDP but where neoliberal reforms coincided with the return to democracy. The book focuses exclusively on the resilience of neoliberal exchange-rate and industrial policies, although Madariaga believes that there is a connection also to other policies, given the fundamental role these two sets of policies play in any economy.

The book is divided into a quantitative (chapter 3) and a qualitative section (chapters 5, 6, and 7). The quantitative section contains a regression analysis with observations from the four countries under study. It finds that more powerful competitive and financial sectors (measured in terms of their share of GDP) are associated with the adoption of a neoliberal exchange rate regime and with fewer industrial policy efforts on the part of the state. In the qualitative section, Madariaga looks at how the variation in prominence of different sectors in the economy translates into more or less continuity in the neoliberal trajectory. This depends on the presence of three mechanisms, "support creation", "blocking the opposition" and "constitutional lock-in". Support creation (chapter 5) is about using privatization to create a powerful support coalition in favour of neoliberalism. In what is probably the best section of the book, Madariaga provides many compelling observations as to how privatization silenced the voice of the non-competitive sector in Chile and Estonia such that, contrary to theoretical

expectation, it did not act as a voice in favour of developmentalist policies (such as by giving these companies into the hands of political allies, as did Pinochet, or into the hands of foreign capital, as in Estonia). Madariaga thereby convincingly exposes the alleged neutrality of the neoliberal state towards different sectors of the economy as a myth.

As for the opposition blockade (chapter 6), Madariaga argues that neoliberalism was less contested in Chile and Estonia than in Poland and Argentina, in part because in the former two countries, neoliberals were able to bias political representation in their favour. This was done mainly using the electoral system, i.e. the binominal system in Chile and the disenfranchisement of non-ethnic Estonians in Estonia. This was a more reliable mechanism than the main mechanism available in Poland and Argentina, which was granting the executive exorbitant powers to implement reforms (e.g. Menem's Necessity and Urgency Decrees). This source of power could easily (and eventually did) fall into the hands of the opposition.

Finally, there is what Madariaga calls "constitutional lock-in" (chapter 7), which comes in the form of independent central banks (CBI) and fiscal spending rules. Again, Madariaga points out dramatic differences between Argentina and Chile, differences that many casual observers of Latin American politics will be familiar with. In Chile, the central bank's exclusive commitment to price stability was rarely contested, governments generally exercised greater fiscal discipline and excess revenues from Copper were responsibly stored in funds. While on paper such rules did to some extent also exist in Argentina, they were often blatantly ignored.

Neoliberal resilience is a highly recommended reading for scholars of political economy, populism, and democratic backsliding. Contrary to some contemporary scholarship, it is not shy to address some of the big questions that many of us deeply care about, such as how developing and middle-income countries can implement the policies that would allow them to move into higher value-added activities. Furthermore, the slightly provocative statements advanced in the conclusion should be taken to mean that both Argentina and Chile are equally flawed democracies – one with institutional stability but constrained representation, the other with institutional instability but more open representation – rather than claiming that Argentina is more democratic than Chile. Still, some scholars will object that indexes of democracy regularly assign Chile the highest score in Latin America. But recent events in Chile lend support to the notion that the elitist or counter-majoritarian character of Chilean democracy was much more problematic than these indexes would have us believe. Seen from this perspective, the book quite fruitfully invites us to think about the possibility of a middle ground between these two flawed models of democracy.

A potential weakness of the book is the generalizability of the argument. Peru, which would seem to fall under the scope of the argument, has only slightly lower scores on the Freedom House index than Chile, and most scholars see it as a case of neoliberal stability (Leiteritz, 2012; Vergara & Encinas, 2016). Yet

it is questionable whether the institutional mechanisms endorsed by Madariaga will get us very far in understanding Peru, as institutions need a minimum of strength in order for them to be able to constrain political representation. As for support creation, the non-institutional mechanism, more research would be needed, but the fact that privatization suffered substantial setbacks and delays in Peru and that Fujimori was not an ideological neoliberal (Manzetti, 1999) would seem to contradict the notion that neoliberalism was sustained by a systematic weakening of the non-competitive sector.

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References

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