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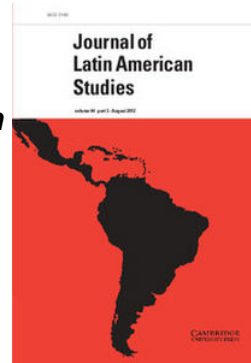
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Fernando de Paula, *Financial Liberalization and Economic Performance: Brazil at the Crossroads* (London and New York: Routledge, 2011), pp. xx + 237, £80.00, hb.

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thoughtful assessment of the specific problems that remain. For example, Fishlow documents how ongoing fiscal issues, most importantly unresolved deficiencies in the pension system, continue to push towards deficits, resulting in continuing reliance on inefficient and uncompetitive taxation and high real interest rates. In short, underlying the good news are real concerns about both the macro- and the micro-economy. Diagnosing the challenges facing policy-makers, dissecting the policy choices, sorting through the conflicting data and arguments about how policies have performed, and identifying the unresolved issues are tasks for which Fishlow is singularly qualified, and indeed the book is at its best in its exploration of the individual issues.

The book is at its weakest, however, in the absence of a real, coherent overarching story about 'starting over'. In other words, the excellent parts are somewhat more than the whole. Fishlow offers a very limited overview of the process of transformation. It began with political renewal and that in turn permitted a renewed focus on growth. Finally, propitious external factors provided a positive environment for both growth and social justice. Perhaps not surprisingly, Fishlow, an economist, is weakest when talking about political renewal. His focus on the 1988 Constitution, judicial performance, decentralisation and regulatory authority feels somewhat piecemeal, more of a collection of topics than a cohesive story about political change. To a lesser extent, one can raise similar concerns about the economic and social topics. While his treatment of each individual topic is very informative, it is not always clear why he chose to focus on these and not others. For example, there is little discussion of the labour market or micro-economic competitiveness or agriculture, or of the role of China (as investor, consumer or competitor), yet arguably they are important parts of the story. It is not that Fishlow should have discussed them: rather it is not clear why he did not. A stronger overarching narrative could help explain how the transformation occurred, why it may or may not continue, and how the specific policy areas on which the book focuses are *the* policy areas that account for the change.

In the final analysis, this book is an important and worthwhile read both for Brazil experts and for non-experts. Its thorough, thoughtful treatment of a wide range of topics ploughs beneath the euphoria and celebrations of Brazil's emergence and offers insight into the complexities of policy reforms, the continuous process of innovation and experimentation, and the depth of the challenges remaining.

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Luiz Fernando de Paula, *Financial Liberalization and Economic Performance: Brazil at the Crossroads* (London and New York: Routledge, 2011), pp. xx + 237, £80.00, hb.

Since the 1980s financial liberalisation has been viewed as an engine of growth, despite the fact that the main evidence from the empirical literature is that it is not capable of inducing robust and sustainable growth trajectories. Moreover, it seems to be associated with macro-economic instability.

Market economies are, in principle, subject to a high level of volatility, a characteristic that is more pronounced in emerging economies in a context of deregulated international capital flows. This is a point that tends to be forgotten during the growth phases of economic cycles but reaffirmed in the face of new economic turbulence. In this context Luiz Fernando de Paula's book offers a

competent and systematic evaluation of the financial liberalisation process in Brazil. It is structured into three parts, with 11 chapters, and a foreword written by Professor Jan Kregel.

The eminent liberal economist, Jagdish Bhagwati, warned at the end of the 1990s that advocates of financial liberalisation base their arguments on ideology and self-interest, rather than on any sound theoretical and empirical foundation. He suggested that there is a Wall Street–Treasury complex whose tentacles reach far enough to project the interests of US high finance globally. This comment echoed the situation already described by Karl Polanyi in *The Great Transformation*.

In that spirit, chapter 2 of *Financial Liberalization* conducts a wide-ranging review of the theoretical and empirical literature on the advantages and disadvantages of greater integration between domestic and international financial markets. De Paula shows that, building on the efficient markets hypothesis, the conventional literature in the neoclassical mould assumes that free capital mobility makes for more efficient allocation of savings at the international level, leveraging growth and maximising well-being. Countries poor in savings would absorb the surplus capital flowing from the wealthy nations. Thus growth with stability would result naturally for whoever adopted the Washington Consensus agenda of liberalising reforms. On the other hand, the critical, Keynesian-inspired literature suggests the opposite: financial liberalisation would heighten macro-economic instability, thus reducing the growth potential.

The next chapters evaluate the Brazilian experience, following the economy's progress from the 1990s onwards, the changes in the regulatory frameworks that shape financial transactions between residents and non-residents, and the normative debate over the appropriateness of making the *real*, Brazil's currency, fully convertible, what came to be known as the 'Arida hypothesis' after the former governor of the Central Bank. This part of the book culminates with an econometric analysis testing the relationship between financial liberalisation, economic performance and macro-economic stability. In line with the internationally predominant empirical literature, De Paula's findings were unable to corroborate the hypothesis that greater financial liberalisation produces growth with stability. Nor was it possible to sustain the native liberal hypothesis that greater capital and financial account convertibility would reduce domestic interest rates.

As for expanding the foreign presence in the Brazilian banking sector, De Paula organises his arguments similarly: he builds on the more global analysis of theoretical, strategic and normative considerations relating to the process of internationalisation of the major financial conglomerates (chapter 7). He then examines the strong movement by foreign capital to penetrate this sector in the developing world generally and in Brazil, in the light of the national dynamics framing consolidation of the banking sector. Finally, chapter 10 seeks empirical evidence to support the conventional hypothesis that foreign banks are capable of eliminating inefficiencies from the supply of credit in Brazil. De Paula concludes that the large foreign banks did not perform significantly better than Brazilian ones. On the contrary, they deployed more conservative credit policies, and were unable to lead the process of consolidation in the sector following monetary stabilisation. It should be remembered that when the global financial crisis hit, Brazil's banking system was dominated by the federal public banks and Brazilian private financial groups. It was left to the former group to work actively to prevent credit rationing, a policy in which it was followed, after a considerable time lag, by the Brazilian private sector. Accordingly, preservation of the

domestically controlled banking structure seems to be an important factor in Brazil's economic recovery.

Conventional economic theory, especially the so-called 'New Macro-economic Consensus', produced citadels of certainty founded on illusion. The abundant literature that emerged after the global financial crisis has revealed the limits of that perspective and the sometimes questionable relations between academia, politics and markets. Prominent economists lent credibility to liberalising theories, to the applause of financial market operators and the convenient acquiescence of policy-makers. Out of this combination grew the most intense process of financial deregulation since the crash of 1929. From deregulation flowed the recurrent financial crises. The general public saw a striking illustration of this phenomenon in the Oscar-winning documentary, *Inside Job* (Charles Ferguson, 2010). Academics, students, specialists and anyone interested in exploring this subject in greater depth will find the book under review to be a thorough, sober, systematic work. Far from being an opportunistic pamphlet, it reflects the mature consolidation of research pursued in the Keynesian tradition, in which market economies are intrinsically unstable. In order to achieve full employment, good income distribution and stability, the state should play an active regulatory role. These conclusions do not emerge from abstract models resting on unrealistic, self-centred, reductionist hypotheses. Rather, they are the product of long theoretical reflection, observation of the historical realities, and the quest for solid empirical regularities.

De Paula shows that economic policy options such as the strategy of financial liberalisation are not neutral, nor even Pareto-optimal, in distributive terms. There are winners and losers. In the period when deregulated globalised finance predominated, financial sector triumph left in its wake a trail of corporate wrecks, indebted governments, and unemployed workers. The global financial crisis and, more importantly, the strategy of bailing out large financial groups reveal that this sector has lost none of its power. Work such as this book is essential if Brazil is not to repeat the mistake of constructing its public policies on illusions produced by the financial markets and their ideologue economists.

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Bernd Reiter and Gladys L. Mitchell (eds.), *Brazil's New Racial Politics* (Boulder, CO, and London: Lynne Rienner, 2010), pp. 249, \$59.95, hb.

This interdisciplinary volume brings together a prominent group of scholars to examine Brazil's 'new racial politics'. In so doing, it offers a timely and important contribution to the study of race in Brazil and Latin America more generally. Indeed, the radical shift in the Brazilian state's discourse on race, as well the adoption of affirmative action and other policies starting in the mid-1990s, calls for a systematic analysis of these developments. With a foreword by Michael Mitchell, this book includes an introduction and conclusion written by its co-editors as well as three substantive sections.

While the book does not lead with this, the contributors do seem to be interested in how racism and racial inequality can be addressed in a country where ideologies of racial democracy have been so pervasive. If we depart from here, the contributors can be seen as providing cases that focus on three specific sites of racial politics in