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Content

Note from the editor

Back to development in the XXI century

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Outside the major Western nations, the word "development" is often used as a substitute or synonym for progress. Both project into the future and celebrate science and technology as an outpost of civilization, both are confident of a destiny of ever-increasing improvements for humankind. As documented by Gilbert Rist (1997), the shift in the usage of one word to the other occurred at the end of World War II and was not anodyne.

For many observers, the development of a country is presented as a solitary path on which each society is inscribed at a certain stage. Stemming from modernization theory (Hoselitz 1952; Rostow 1960), this definition usually places industrialized Western nations as a model to follow, as much for the complexity and prosperity of their productive systems as for the integration and material well-being of the majorities, and as much for the respect of political institutions as for the conformation of meritocratic and professional public administrations (Pritchett et al. 2013; Portes and Smith 2010). According to this criterion, countries can be ranked according to their GDP per capita and Human Development Index and placed in more "advanced" or "backward" positions in their transit towards development. Those who trust in its virtues recommend exporting capital, technology, and organizational patterns from Western countries to the rest of the planet. Several institutions, from the World Bank to the United Nations and countless non-governmental organizations, are largely justified in encouraging international collaboration for development.

This gradualist and harmonic perspective was strongly challenged in 1949 with the presentation in Havana of the so-called Manifesto of the Economic Commission for Latin America (ECLAC). This document reinforced the need for a specific organization to address the region's social and economic problems. In it, the division between "center" and "periphery" sought to replace the use of a scale of countries at different levels of development. From the perspective of its author, the Argentine economist Raúl Prebisch, the countries producing raw materials were facing a "decline in the terms of trade" that condemned them to backwardness. In other words, peripheral countries needed to export more and more minerals, food, or basic inputs in order to be able to purchase fewer and fewer manufactured goods produced in the center. Soon, experts throughout the region began to document their countries' dependence on foreign currencies and international trade cycles. To overcome this dependence, ECLAC recommended directing investments to industry, reducing protectionist barriers set up by the central countries, and implementing plans tailored to the region's needs.

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As Fajardo points out (2022, 4), "CEPAL [ECLAC] swiftly became the institutional fulcrum for an intellectual project that delved into the problem of development and capitalism in and from the margins of the global economy." In doing so, ECLAC gave itself two missions that would soon justify the deployment of social sciences in the periphery: on the one hand, the need to produce useful knowledge for transformation; and on the other, the vocation to understand the world using a decentralized approach capable of affirmatively capturing the singularity of its objects of study.

In the first case, like other transformation projects that preceded and succeeded it, ECLAC attributed a central place to the State and the experts who assisted it. Developmentalist projects delegated to the social sciences the power to define objectives, design policies, and implement them. As Evans (1995) would later emphasize, the right balance between autonomy and embeddedness was crucial. Development seemed to require exceptional interventions and came to justify numerous authoritarian regimes (O'Donnell 1972). Popularity also proved problematic: political leaders, business, and workers appropriated the "technical" proposals and altered them. Thus, after the publication of *Development and Dependence* (Cardoso and Faletto 1969), one of its authors withdrew into literary studies when he realized that their ideas were used to endorse political radicalization and the rise of the guerrilla (Fajardo 2022, 176).

As Tocqueville had anticipated with the ideals of the French Revolution, the aspirations associated with development are often in open contradiction. Not only has the pursuit of productive renewal and growth often been to the detriment of institutions, but the demands of "fiscal responsibility" or "good governance" also often lead to undemocratic policies (Roy 2005). Hierarchizing among these dilemmas or deciding between sectors was not, Hirschman (1971, 680) argued early on, in the hands of any science.

ECLAC's intellectual project had revolted against this universal and unappealable reason in its beginnings. Like the "area studies" and later the postcolonial approaches (Said 1978) or the World System (Wallestein 2004), which are recognized as close to or heirs of that tradition, the question of development acted as a space for convergence between different sciences. First, as pointed out by Viterna and Robertson (2015, 248), these types of approaches had the virtue of addressing "how multiple social institutions and processes – including politics, markets, states, migration, families, poverty, civil society, globalization and the massive development sector itself – operate in conjunction with each other to shape the direction and intensity of social change both within and across nations." Second, according to Timothy Mitchell (2003), studies attentive to the peripheries have the potential to "provincialize the social sciences," and in so doing to question the ethnocentrism that nestles in the pretension of a single universal science. A perspective that, as indicated by one of the founders of ECLAC, includes analysis not only between nations but also within each one of them (Furtado [1959] 2009).

Based on the technocratic vocation inherited from developmentalism, the market policies adopted by many countries of the periphery have, since the 1970s, abandoned the hope placed in development while ascribing to economic science the authority to intervene and provoke deep social transformations (Fourcade 2006; Heredia 2018).

Today, development is often presented as an empty signifier. It continues to justify the interventions of international organizations in the name of vague or increasingly modest values (poverty eradication). It also serves as a label for the study of a variety of issues and countries simply because they belong to the new category of the "Global South." In this framework, it may be fruitful to interpret the decline of interest in development as further evidence of the difficulty of Western market economies to present themselves as forward-looking societies. It is also an expression of a new world in which China, the great emerging economic power, has not followed the paths recommended by international experts, nor does it articulate the social and political values of Western societies in the same way.

In this framework, Andrew Schrank (2023, 162) concludes that economic sociology has made major contributions and left some gaps. Among the former, he points to detailed studies of firms, agencies, families, and communities in developing countries. The gap lies, in his view, in the difficulty of aggregation: the lack of a theory capable of offering a renewed synthesis of the subject. In the face of the generalized confusion about the future and the intellectual challenge launched by the author, this dossier proposes revisiting the problem of development to question its validity and its possible updating in the 21st century. To this end, development experts coexist with economic sociologists who do not ascribe their research to this problematic, but whom we invite to revisit their objects from this angle.

Andrew Schrank's paper approaches development as a contested form of categorization. For some, it embodies the hope that, with resources, it is possible to achieve human welfare. For others, it is nothing more than the ideology that justifies Western dominance, the process of acculturation and exploitation to which the peripheries are subjected. Between these two positions, the author notes the strong performative power of the notion that not only motivates individual behaviors and legitimizes demands and actions but also contributes to regulating the practices of diverse agents. If Eyal and Levy (2013) underlined that one of the most persistent forms of economic discourse is the creation of categories of valuation, Schrank invites us to pay more attention to who participates in this dispute in which economic sociology has much to offer.

Considering this disputed categorization, the recent history of Chile analyzed by Jorge Atria is particularly relevant. Having been the cradle of ECLAC and socialism by democratic means with the victory of Salvador Allende in 1970, Chile, with Pinochet's dictatorship in 1973, held out the promise of becoming a developed country with a minimal State. The Chilean "success," evidenced by its growth rates, stability, confidence, and low poverty, became an export product. In his piece, Atria reviews the notion of development and its weaknesses. He warns of the high inequality and vulnerability of the Chilean majorities, the persistence of a concentrated economy without competitive markets, and a tax system that is efficient but innocuous in tempering inequalities.

The work of Iagê Miola and Gustavo Onto complements Atria's: it shows to what extent not entire countries, but some institutions on the periphery manage to align themselves with international imperatives and gain the respect they confer. The point the authors make is that, on closer inspection, these labels can become completely meaningless. Based on a study of the Administrative Council for Economic Defense, Brazil's anti-trust agency, they reveal a paradox: How can a legislation and an entity against economic concentration be judged successful in a country that, by all accounts, remains heavily cartelized?

The same relational view animates the paper of Horacio Ortiz, who addresses a sector neglected by development theorists: global finance. He analyzes how international organizations promote and support certain forms of development and categorization, in this case in the expansion of open capital markets and the classification of these markets according to the reliability of states as creditors and sources of profit. Through his study, Ortiz reconstructs how hierarchical relationships between states are recreated and uses the "bet" on electric vehicles and the growing interest in lithium to illustrate how these global capital markets also privilege certain sectors and genders.

Focusing on the case of Brazil and Argentina, Matías Dewey's contribution revisits a persistent dilemma faced by peripheral countries in the search for development: the quest to integrate more subjects into the logic of the market and generate greater wealth versus the consolidation of a more predictable and universal rationality based on respect for the law. Through the analysis of large informal markets, Dewey shows how non-compliance with labor, health, and tax regulations coexists in Latin America with the expansion of fintech. While economic and technological integration seems to offer solutions tailored to the needs of informal entrepreneurs, compliance with regulations appears to them a tiresome and useless burden.

Finally, Daniel Schteingart offers a unique approach to the subject in the reconstruction of his experience as coordinator of the Plan Argentina Productiva 2030. As an economic sociologist, Schteingart was called upon to coordinate a group of experts to produce a development plan for the nation. His work shows the extent to which today, as in the 1950s, the production of data and diagnoses, as well as the training of qualified professionals, is linked to the interventionist will of states. It also illustrates the limits of any planning experience that is tied to a weak political authority and a macroeconomic organization in crisis. Finally, the paper considers the lessons learned by developmentalist experts. Under the common imperative of expanding exports and jobs, the choice was to design missions rather than plans (under the intellectual impulse of Mariana Mazzucato, 2021), to promote productive chains rather than opposing agriculture and industry, and to pay more attention to the environment, gender parity, and sustainability rather than being satisfied with the intensive exploitation of resources.

The intellectual and professional challenges posed by development mark the careers of many economic sociologists from the periphery. Within and outside the academic field, their existence as such is often justified by their ability to contribute to a diagnosis and transformation that serves some horizon of collective progress. If that role is too important to be left to economists, what voice of their own can economic sociologists have? From the dossier's contributions we can derive some clues: a less hypocritical relationship between countries of disparate wealth, a better balance between capitalism and democracy, and a less naïve position on the uses of knowledge. Crystal clear in the periphery, these questions are also of concern to the (social) sciences in the Western nations we used to emulate.

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Development as a social fact

Andrew Schrank

Introduction

This paper challenges both mainstream notions of development, which treat it as an objective feature of self-contained societies, and constructivist alternatives, which view it as an ethnocentric product of western imperialism. Instead, I argue that development is a social fact that's "not always so clearly discernible," much like the systems of "economic organization" alluded to by Durkheim in *The Rules of Sociological Method* (Durkheim [1895] 1982, 57), and go on to explore the implications for economic sociology.

I have divided the paper into four principal sections: The first lays out the limits to both purely objectivist and purely constructivist interpretations of development. The second makes a broadly Durkheimian case for an alternative that treats development as a social fact that's both "external" to individuals and imbued with "coercive power" over them (Durkheim [1895] 1982, 51). The third illustrates the value of the Durkheimian approach by noting that neither objectivist nor constructivist notions of development can explain the persistent conflict over the classification of countries by the World Trade Organization. If development was an objective fact, I argue, there'd be no *basis* for disagreement; and if it was little more than a western construct, there'd be no *reason* to disagree. And the fourth concludes by translating the core argument into a broader theoretical and research agenda that puts contrarians and their strategies at the forefront of the development process.

Competing notions of development in the contemporary social sciences

The connection between economic growth and human well-being is all but an "article of faith" among mainstream social scientists (Philipsen 2015, 1). On their account, indicators of personal income – like gross domestic product (GDP) per capita – capture the resources available for production, consumption, savings, and investment in society, and resources are the keys to opportunity and choice. When they're growing, argue the faithful, more people can achieve more of their goals, whatever those goals may be. When they're stagnant, however, people have fewer choices and have to make stark trade-offs among competing goals. Mainstream scholars therefore treat growth in per capita GDP as an appropriate gauge and more or less objective indicator of social and economic development.

Amartya Sen nonetheless launched a thoroughgoing critique of the mainstream approach by arguing that economic growth is a means to development rather than the essence of the process, which is the "expansion of people's capabilities," and that it may not be the most efficient means available in any event (Sen 1983, 760). While he recognizes the importance of material resources, Sen worries about their origins and distribution, and he and his fellow "capability theorists" therefore question the validity of income-based indicators of well-being (Kremakova 2013, 404). Consider, for example, an inequitable petrostate with a large military and a per capita income of $50,000, on the one hand, and a demilitarized welfare state with a small carbon footprint and an identical per capita income, on the other. Does it make sense to consider them equally developed? Or should notions and indicators of development take additional considerations into account? Proponents of the capabilities approach answer the latter question in the affirmative and have therefore proposed a range of alternatives to per capita income including, most famously, the Human Development Index (HDI) developed by Mahbub ul-Haq and produced annually by the United Nations Human Development Programme. While income-based indicators tend to reduce development to a single dimension, like GDP per capita, the HDI takes the origins and distribution of material resources into account by incorporating measures of health, education, *and* income into a multidimensional indicator of capabilities (Sen 1999, esp. 318) that presumably rewards the welfare state for building schools and hospitals and punishes the petrostate for putting guns (and fossil fuels) before butter. According to Sen, the goal of the HDI was to "focus on getting at a minimally basic quality of life, calculable from available statistics, in a way that

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the Gross National Product or Gross Domestic Product failed to capture" (Sen 2005, 159).

For all of their myriad differences, however, the income- and capabilities-based approaches have at least one thing in common: they assume that development is a more or less objective process that's subject to spatial and temporal comparison; that is, that development offers a universal goal, or benchmark, and that some countries or societies are objectively more developed than others. Insofar as their preferred indicators of development – GDP per capita and the HDI respectively – are highly correlated, moreover, proponents of the income- and capabilities-based approaches tend to offer similar cross-country rankings. A few low-income countries tend to "overperform" on health and education, and a few high-income countries tend to "underperform" in turn. But the correlations between the two indicators are sufficiently high as to encourage some observers to ask whether they are, in fact, redundant with one another (Schrank 2023, 60; cf. Sunstein 2006, 226).

On reflection, of course, the correlations between the two indicators aren't particularly surprising. A large body of literature speaks to the associations between monetary income, formal education, and physical well-being at the individual level. Individual correlations tend to grow through aggregation (Robinson 1950). And the architects of both the income- and capabilities-based approaches arguably built similar, self-reinforcing biases into their measures by taking western constructs – like monetary income and formal education – as their points of analytical departure and discounting nonwestern alternatives and values. The results are both troubling and inescapable.

Consider, for example, indigenous peoples who successfully resisted western encroachment by, in the words of James Scott (2009, 166), "destroying bridges, ambushing or booby-trapping passes and defiles, felling trees along roads, cutting telephone and telegraph wires, and so forth." Are they more or less developed than their less successful neighbors, who fell victim to western encroachment and therefore have fewer traditional assets, more roads and dams, and correspondingly higher levels of monetary income? The point is not simply that roads and dams facilitate income growth, moreover; it's that their construction and maintenance contribute directly to investment, employment, consumption, and GDP, or to the western notion of development, while posing a threat to at least some nonwestern societies and their notions of the good life. It's hard to imagine dam- and roadbuilding in nonwestern societies, after all, without the loss or elimination of indigenous values and cultures.

One might argue that western encroachment allowed not only for the development of dams and roads, of course, but for the growth of education and health care, and that the benefits of the latter outweigh the costs of the former; that is, that the benefits of human development outweigh the costs of western penetration. But the benefits of human development are neither obvious nor universal, and the HDI is itself measured on western terms that introduce biases into an already "subjective and ethnocentric" (Stewart et al. 2018; cf. Nussbaum 2000) measure. Insofar as it rewards formal rather than informal schooling, for instance, the HDI almost inevitably ranks societies that have embraced or been subject to mass education ahead of those than have defended their traditional lifestyles precisely by keeping their children out of formal schools (Schrank 2023, 103). Is a repressive literacy campaign that forces hundreds of thousands of children into the classroom a victory for human development or a defeat?

The answer depends in part upon norms and values that are "culture-bound" (Jaeger and Selznick 1964), and Mark Granovetter has therefore argued that all efforts to rank societies in terms of development, efficiency, or "adaptive capacity" are plagued by "the difficulty of making intersocietal comparisons of utility" (Granovetter 1979, 499). If one society's utilities are another society's disutilities, he suggests, such comparisons would seem pointless. And insofar as people and societies have different values, or utility functions, the problem cannot be solved by maximizing growth and development in the short run and redistributing their returns from the "winners" to the "losers" *ex post facto* – since neither the identities of the winners and losers nor the standards for compensation are obvious. By way of illustration, Jeffery Paige has compared dam-building in the Amazon rainforest – which threatens the "spiritual, physical, and emotional" lives of indigenous peoples – to "driving a bulldozer through the Sistine Chapel" (Paige 2020, 54). Another day's work to the dam-builder constitutes an existential threat to the Shuar, for example, since "neither they nor their cultures" could survive the loss of the "living forest" (Paige 2020, 54), and neither party is likely to recognize the other's claim.

So-called post-developmentalists took these arguments to their logical conclusion in the late twentieth century by calling the very notion of development into question (Matthews 2018). Given the number of abuses and atrocities that have been funded, carried out, and justified by planners and donors in the Global South, they argued, investigators should reconsider, or perhaps abandon, the entire concept of development. But their warnings went largely unheeded, according to Aram Ziai, because the donor-industrial complex has a life of its own, a number of late developing countries have achieved sustained growth, and the ideal of a "middle-class-lifestyle" is, if anything, gaining ground in much of the world. "If there is a chance to achieve a Western lifestyle of consumerism," he continues, "many people take the chance" (Ziai 2015, 838–39).

Critics of constructivist accounts have gone further, accusing their champions of painting a naïve and idyllic portrait of what are actually oppressive, inequitable, and morally indefensible societies. "We should ask whose interests are served by this nostalgic image of a happy harmonious culture," argues philosopher Martha Nussbaum, "and whose resistance and misery are being effaced." Insofar as the victims tend to include women, children, and activists, she continues, "the charge of 'Westernizing' looks like a shady political stratagem, aimed at discrediting forces that are pressing for change" (Nussbaum 2000, 38).

By way of summary, therefore, the existing literature on development is anchored by two incompatible and equally untenable positions: an objectivist approach that treats development as a more or less self-evident feature of self-contained societies, and in so doing ignores their interdependence and value conflicts; and a constructivist alternative that treats development as little more than a western ideology imbued with untenable normative assumptions, and in so doing ignores the very real demands of billions of people in the Global South. In an effort to develop an alternative to both positions I treat development as a social fact that is, in Durkheim's sense, both "external to the individual" and "invested with a coercive power by virtue of which they exercise control over him" (Durkheim [1895] 1982, 52).

Development as a social fact

I am by no means the first person to describe development as a social fact. Durkheim himself invoked the laws, codes, and conventions of industrial society as both "external" and "indirect" constraints on the behavior of industrialists (Durkheim [1895] 1982, 51) in *The Rules of Sociological Method*, and he went on to describe occupational norms, educational routines, and – perhaps most notably – the "currents of opinion" that drive marriage and fertility patterns that differentiate human societies as "social facts" that are susceptible to statistical analysis (Durkheim [1895] 1982, 55). What marriage and fertility records convey, Durkheim argued, are the "state of the collective mind" (Durkheim [1895] 1982, 55).[1]

Others have followed Durkheim's lead by declaring development itself a social fact (Gurrieri 1979, 140; Gong and Jang 1998, 89). And – insofar as they demarcate the boundaries between different types of society – concepts like "petrostate," categories like "high-income," and indicators like the HDI offer "collective representations" (Durkheim [1912] 1995; Gisbert 1959) of the social facts in question.[2] Underdevelopment is less the source of pity, outrage, and dismay, on this formulation, than their consequence.

Lest it not be obvious, however, the differences between and among societies of different types are real. When the World Bank aggregates countries into discrete lending groups, for instance, they're not entirely arbitrary. The list of countries in "fragile and conflict-affected situations" (World Bank 2023a) is produced through more or less clear, if by no means uncontroversial (Nay 2014), criteria and updated on an annual basis. "High-income" countries boast per capita gross national incomes (GNI) of $13,846 or more (World Bank 2023b), however achieved, and really do produce more marketable goods and services – not to mention carbon emissions – per person than their lower-income counterparts, despite the presence of measurement error (Schrank 2023). Insofar as social facts can only be explained by way of reference to other social facts, moreover, the tight synergies between and among these measures and classifications are entirely predictable (Durkheim [1912] 1995, 134).

The more interesting question, in my opinion, is not whether concepts, categories, and indicators like these are accurate or inaccurate, but what they *do*. What are their performative characteristics and consequences? Insofar as they not only reflect but shape people's notions of the world in which they live, I'd argue, they have at least three potential repercussions.

First, they can motivate individual and collective behavior. When Laura declares that Cuba is "falling behind," exactly ten minutes into *Memories of Underdevelopment*, she offers an evocative portrait of their motivational power. She practices her English, covets foreign products, and prepares to abandon Havana for Miami. While her departure represents one possible response to status anxiety, moreover, the revolution she disdains constitutes another (Burton 1997, 21; see also Slater 2011, 387). After all, the late Ronald Dore attributed nationalist "modernization" campaigns of both the left and the right to the "status aspirations" of peripheral elites and intellectuals (Dore 1975, 201–04; Dore 1977, 206–07; Harrison 1988, 111). And the Group of 77's call for a New International Economic Order (NIEO) in the early 1970s was precipitated and, at least in part, motivated by the realization that "70 per cent of the world's population account for only 30 per cent of the world's income" (United Nations General Assembly 1974, 3).

Second, they can legitimate demands, actions, and institutions. While the members of the Group of 77 legitimated their demand for alternative international institutions by acknowledging and underscoring their own poverty and deprivation (Krasner 1983, 244), for instance, nominally "benevolent" dictators fend off critics – at home and abroad – by advertising their own achievements: growth, law and order, education, and the like. Take, for example, Paul Kagame and his allies in Rwanda, who deploy the country's human development indicators in defense of their heavy-handed rule (Schrank 2023, 57).

And, third, they can regulate the behavior of their architects and subjects. Consider the case of the NIEO in a bit more detail. When northern policymakers embraced the Group of 77's call for "special and differential treatment" in the 1970s, in an effort to bolster the legitimacy of the General Agreement on Tariffs and Trade (GATT), they tied their own hands going forward by "abandoning the principles of reciprocity and nondiscrimination in favor of rules whose fundamental purpose is to directly promote economic development" (Krasner 1979, 519); henceforth, high- and low-income countries would be treated differently by the international trade regime.

Arland Thornton's theory of "developmental idealism" invokes all three mechanisms simultaneously (Thornton 2001). On his account, ideas about the history of the family in northwestern Europe *that are themselves controversial* have nonetheless been disseminated by colonial authorities, donors, migrants, missionaries, and the mass media, among others, and in so doing have *motivated*, *legitimated*, and *sanctioned* reproductive change in the nonwestern world. While canonical accounts of the European "family transition" have been called into question, Thornton argues, they have "been a strong force for changing living arrangements, marriage, divorce, gender relations, intergenerational relationships, and fertility behavior in many parts of the world during the past few centuries" (Thornton 2001, 449), in large part due to their *potentially spurious* correlation with economic development.

Insofar as they get incorporated into norms, values, standards, and laws, therefore, interpretations and indicators of development matter. They help determine who gets market access and who doesn't; who gets aid and who gives it; who gets elected and who gets ousted; where foreign direct investment originates and ends up; how and how much reproduction occurs, etc. And their establishment and enforcement are therefore subject to conflict and controversy within and between countries.

A skeptic might suggest that the chosen categories and classifications always wind up reflecting and reproducing the needs and interests of powerholders. And in a tautological sense that may be true. But insofar as it's impossible to know *ex ante* which criteria the powerholders want or need, or who really holds power independently of the categories and classifications at issue, it doesn't provide a falsifiable theory – and it certainly can't explain changes in the distribution of power and resources over time.

Classifying countries at the World Trade Organization

Consider the case of the World Trade Organization (WTO). Like the GATT, the WTO recognized the distinct needs of the Global South, at least in theory, by offering developing countries "special and differential" (S&D) treatment provisions designed both to increase their "trade opportunities" and "safeguard" their interests when the agreement was negotiated in the mid-1990s (WTO 2023, 5). The specific provisions include exemptions, flexibilities, and capacity-building measures of various sorts. And their numbers keep growing (cf. WTO 2016; WTO 2023) despite both the ongoing paralysis of the WTO itself (Baschuk 2023) and opposition from the European Union and United States (Schneider-Petsinger 2020, 33).

The EU and US are concerned less about the contents of the S&D provisions, however, than their beneficiaries. The WTO "does not specify criteria or a process for determining development status" (WTO 2019, 10) other than by recognizing the very "least-developed countries" (LDCs) designated by the United Nations. Members of the WTO are therefore allowed to declare their own development levels and, by extension, their eligibility for S&D provisions including transition periods and "carve-outs from existing disciplines" (WTO 2019, 13). And the EU and US delegations have not only condemned the practices of some of the WTO's wealthiest and/or fastest-growing members – who allegedly label themselves "developing" in order to take advantage of these and similar provisions – but have anticipated dire consequences for the organization as a whole. "Members cannot find mutually agreeable trade-offs or build coalitions when significant players use self-declared development status to avoid making meaningful offers," argued the US delegation in 2019. "Self-declaration also dilutes the benefit that the LDCs and other Members with specific needs tailored to the relevant discipline could enjoy if they were the only ones with the flexibility" (WTO 2019; see also European Commission 2018; Schneider-Petsinger 2020).

Non-discretionary alternatives might augment the legitimacy of the organization (Krasner 1981, 140), and the US delegation has therefore put forward "objective criteria" that render members of the Organization for Economic Co-operation and Development (OECD), Group of 20 (G20), the World Bank's "high-income" category, and countries that are responsible "for no less than 0.5 percent of global merchandise trade" ineligible for special and differential treatment (Shea 2019). But insofar as the OECD and G20 are exclusive clubs (Keohane and Nye 2001) that lack clear and consistent membership criteria (Slaughter 2004, 46; Carruthers and Halliday 2006, 542–43; Wade 2009, 553; Clifton and Díaz-Fuentes 2011, 553–54), and the proposed trade and income criteria are themselves based on subjective cutoffs on debatable indicators, the US criteria are more controversial and less objective than they may seem at first glance, making their failure to generate widespread support or acceptance an all but foregone conclusion (WTO 2022).

In short, the WTO saga speaks to the subjectivity and the social construction of development. There are no objective criteria by which to decide which societies are more or less developed, whether or to what degree development is underway, or what dimensions of development are most desirable. But the WTO saga poses a no less vexing challenge to constructivist alternatives. After all, the conflict at the WTO derives less from the distinct utility functions than the distinct interests of different countries, and the demand for S&D provisions – and for the "developing country" classification they presuppose – is not a western imposition but a product and legacy of the Group of 77 low-income countries. Left to their own devices, the high-income OECD members would in all likelihood say "good riddance" to S&D provisions in their entirety. But low-income countries want special treatment because they and their inhabitants want to enter world markets on – something like – their own terms.

It's worth underscoring, moreover, that the persistent conflict at the WTO poses a damning challenge to both objectivist and constructivist accounts of development. If the concept of development was objective and beyond dispute, as mainstream accounts imply, there'd be no basis for disagreement. All parties would, by definition, embrace the objective definition or be exposed as self-interested charlatans. And if the concept of development was a pure social construct, or western imposition, there'd be no reason to fight. All parties would be satisfied with their existing situations regardless of their income levels. The fact that none of the parties is truly happy with the status quo suggests that development is neither purely objective nor purely subjective, and the persistence of conflict at the WTO is therefore unsurprising.

What's more surprising, in light of contemporary sociological theory, is the fact that a mere two-thirds of all WTO members (Busch 2023) have declared themselves developing countries when, in theory, all 164 could do so. If S&D provisions really offer their employers a competitive advantage, after all, and there's nothing to prevent high-income members from designating themselves developing, the rational EU and US strategy would not be a futile effort to push rising powers to abandon S&D provisions but a simple effort to adopt them by designating themselves "developing" as well – either sincerely or as a bargaining chip. The fact that they haven't done so poses a challenge to both rational actor models of international institutions, which posit self-interested behavior on the part of their members and potential members, and new institutionalist alternatives, which anticipate isomorphic pressures of various sorts that would produce the same outcome (DiMaggio and Powell 1983; Dobbin et al. 2007).[3]

High-income countries don't declare themselves developing, I'd argue, because development, though a social fact, is at least loosely anchored in objective reality. And insofar as objective facts like machinery and mortality provide at least broad limits on social facts, like development hierarchies, they limit the degree, if by no means the occurrence, of "decoupling between purposes and structure, intentions and results" (Meyer et al. 1997, 152) among other things (Bromley and Powell 2012; Meyer and Bromley 2013). While high-income countries are allowed to declare themselves developing, in theory, doing so would destroy the legitimacy of the very institution they're trying to save, in practice. Institutions will command legitimacy, in the words of the late Arthur Stinchcombe (1997, 17), "if people believe that the institutional enforcers themselves believe the values" that they allegedly serve, and will "lose legitimacy as soon as it appears they are only interested in the letter of the law" (Stinchcombe 1997, 7). This perhaps explains why the US never claimed developing country status at the WTO, emerging economies like South Korea and Brazil have recently abandoned it, and many middle-income countries hold out despite persistent pressure to the contrary (Zeisl 2019), all while treating the categories and classifications themselves as weapons of economic warfare.

In short, the most practical question is not "What is development?" but "How do actors understand, interpret, and exploit existing notions of development and in so doing remake the concept and the world going forward?" The answers are anything but obvious, but they're unlikely to emerge from the purely objectivist or constructivist accounts that dominate the contemporary literature. If the objectivist accounts were accurate, after all, people would have faith in existing institutions, and institutional change presupposes not faith, according to Ezra Zuckerman, but "doubt in prevailing institutions and the valuations they support" (Zuckerman 2012, 240; see also Canales 2016). If constructivist accounts were accurate, however, nonwestern societies and their populations would be more or less happy with their lots in life, and wouldn't be pursuing institutional change – or western-style development – in the first place. What's needed, therefore, is an economic sociology that recognizes not only that development is a social fact but that it's the very imprecise measurement and assessment of social facts that offer "contrarians" the opportunity they need to pursue potentially transformative strategies (Zuckerman 2012; Schrank 2023).

Conclusion

I have argued that development is neither an objective feature of coherent societies nor a fictive product of western imperialism but a social fact that's both anchored in material reality and subject to imprecise measurement and assessment. My account can explain why actors worldwide not only pursue development, contra constructivism, but debate the meaning and measurement of the concept itself, contra objectivism. And in so doing it contributes to a growing body of literature that traces social change to gaps between "prevailing public valuations and objective conditions" (Zuckerman 2012, 235) and their exploitation by contrarian actors and organizations. When public valuations and objective conditions are in line, after all, there's neither a practical nor a moral basis for challenging the status quo. Instead, the guiding principal is *de gustibus non est disputandum*. When public valuations deviate from objective conditions, however, contrarians and institutional entrepreneurs can exploit the opportunity to pursue their own goals, for better or for worse.

What's needed, therefore, is not only a realization that development is a social fact subject to more or less objective constraints but a renewed focus on actors who spark organizational and institutional change by challenging prevailing valuations and assessments. Who are they? When and where do they arise? And to what effect? By systematically answering these questions, we will not only recognize that development is a social fact but translate that recognition into a more productive theory of the process in the years ahead.

Endnotes

1 See Ottaway (1955) on Durkheim's analysis of education and socialization.
2 Modernization theorists treat modernity as a social fact (Camorrino 2016, 272) and neo-Marxists treat the capitalist world-system as a social fact (Aronowitz 1981, 512).
3 Opposing pressures could, in theory, lead low-income countries to classify themselves as "developed" in a quest for status, and in so doing abandon their access to S&D provision; the fact that they rarely, if ever, do so constitutes another blow to new institutional accounts that anticipate institutional isomorphism.

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Anti-statist development? Growth, economic concentration, and segmented welfare in Chile

Jorge Atria

The modern capitalist revolution in Chile – the moment when the economic liberalism project was established as a stage prior to the Reagan and Thatcher governments, generating a radical break with the previous model (Gárate 2012) – immediately provoked a strong discussion on the implicit idea of development. Whether due to the profound transformation in the coordination between the state and the market, the various reforms in social areas, or the increase in economic concentration, it introduced a set of ideas on how development should be understood and, therefore, how the economy should set the standard for thinking about a better future for Chile.

Although several reforms have been observed in the short and medium term, it has taken more time to analyze their effects. One aspect on which there is general consensus is that Chilean capitalism has gained advantages over other countries of similar income in terms of economic growth, poverty reduction, and institutional development (Repetto 2016). On the other hand, there is also a relative consensus that this model does not address inequality, so its redistributive impact is at best low, while in some areas it may be negative, benefiting the upper groups more.

The evolution of Chilean capitalism is also characterized by the emergence of an economic elite, reorganized since the dictatorship, that is composed of some traditional and other new business groups which play a crucial role in the control of key sectors of the economy but also claim responsibility for representing a modern, innovative, talented, and efficient leadership to lead the country to development.

The capacity of the members of this elite to organize and articulate (Undurraga 2013), as well as their strong ideological coherence around the importance of the free market (Fourcade and Babb 2002), influenced by the high share of power acquired by a smaller group of economists and technocrats, has configured a particular model due to its long continuity and deep impact. This influence characterizes both the institutions and the dominant ideas and values, among which an anti-statist and pro-free market perspective stand out. Anti-statism was nourished by opposition to the pre-coup state model, which focused on the expansion of social rights and land redistribution through agrarian reform, and the Chicago Boys' economic program, which was defined by radical state retrenchment under military rule (Ondetti 2021). The end of the dictatorship gave way to an elitist democracy of low intensity and limited citizen participation (Solimano 2012), which, together with the continued homogeneity and coordination of the private sector, gave continuity to anti-statism.

In recent decades, with the strengthening of democracy, the emergence of social movements, and new evidence on the outcomes of the 1970s and 1980s reforms, debates about the development model and its consequences have intensified. Several critiques relate to the difficulty of the ruling elites and the political system to push through reforms in key social services. In addition, there has been strong criticism of the economic elites, who are seen as receiving privileged treatment in terms of access to opportunities and benefits, as well as less severe sanctions when business abuses, tax evasion, and violations of free competition are detected. The social outburst, a massive demon-

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stration of Chileans that lasted several months between October 2019 and early 2020, with some violent incidents, included a strong demand for redistribution and a more active role of the state against inequality. Nevertheless, the state is also perceived with mistrust and criticized for its inefficiency, an issue that, although not fully supported by fiscal performance indicators, makes visible the development challenges in the future.

In this short article, I analyze some elements of the Chilean model in the five decades that have passed since the military coup that interrupted the Allende government and gave rise to the dictatorship. This analysis shows the successes and failures of a strategy of "economic growth with inequality" and the consequences of a development model led by an anti-statist economic elite. It is based on two main arguments: first, several social problems remain serious due to income inequality and unequal access to social services; second, far from a competitive market economy, a concentrated and hierarchical market organization has been consolidated, benefiting mainly large companies and the wealthiest. Between these two processes, the tax system, far from being a compensatory mechanism, continues to be regressive, limiting the redistributive effect of social spending. Despite its recognized social and economic achievements, Chile today faces enormous challenges in overcoming current crises and reconciling capitalism with democracy.

Economic growth: Less poverty, but a more vulnerable middle class

The first post-dictatorship governments focused on maintaining a transition that would allow democracy to be restored, alleviate the social emergencies of a country with a 40% poverty rate, and reintegrate Chile into the international economic order. The strategy to accomplish these tasks resulted in a tutelary democracy in which the main economic principles of the dictatorship were maintained. In particular, tax revenues were increased only to the extent necessary to implement targeted social policies, and trade liberalization was encouraged through participation in international economic organizations and promotion of free trade agreements.

The macroeconomic and social balance of the period shows some positive results of this strategy. In the first three years of democracy (1990–1993), Chile grew by 27% in real terms, inflation was reduced from 27% to 12% per year, and public spending exceeded the budget inherited from the dictatorship by almost 40% in real terms (Marcel 1997). This had an obvious impact on the most disadvantaged groups: by the end of the decade, Chile had a poverty rate of 20%, almost half of what it had been in 1990.

In terms of distribution, however, the gains were minimal. In the period 1990–2003, growth (measured as growth in per capita household income) was fairly even across the population (differentiated by deciles), as shown by Larrañaga and Valenzuela (2011). In other words, high economic growth during this period did not imply a reduction in inequality.

Subsequently, Chile benefited from the commodity boom (2003–2013), which was key due to the high international value of copper. The recent work of Mauricio de Rosa, Ignacio Flores, and Marc Morgan (2022) shows again the problematic case of Chile for this period. In fact, growth has benefited the majority of the population in almost all Latin American countries except Chile, Colombia, Costa Rica, and Mexico. Moreover, only in Chile, Mexico, and El Salvador did the top 1% outperform the average population.[1] Thus, it was mostly growth "for the top."

Finally, looking at the economic threshold that Chile has already reached – measured by GDP per capita – and its level of inequality – measured by the Gini coefficient – it is clear that there is no other country that has achieved such a level of development with such a high level of income inequality (Repetto 2016). This anomaly speaks to the difficulty of the Chilean model in making growth serve the goals of the general population.

Another way to examine this issue is to look at the evolution of the government's role in financing social welfare for different groups. One way to do this is to analyze monetary subsidies, i.e., the sum of all cash transfers provided by the government through social programs to all members of a household. Table 1 shows the percentage of household income accounted for by monetary subsidies. The greatest effect is achieved in the poorest decile (decile 1): in this group, monetary subsidies go from representing just over 16% of household monetary income in 1990 to 45% in 2017, almost 30 years later. In decile 2, there is a clear effect, albeit less substantial than in decile 1: subsidies accounted for just over 6% in 1990, a figure that rises to 15% in 2017. In other words, at its maximum (2017), welfare provision in this group was barely a third of what it was in decile 1. In subsequent deciles, this contribution continues to decline. This evidence connects with the privatization of social services that has occurred in recent decades, as I will discuss later.

These data make it clear, first, that without these targeted subsidies the poverty rates would be much higher. Thus, the role of the state in alleviating social disadvantages can be clearly distinguished. Furthermore, government subsidies explain the modest re-

Table 1. Share of monetary subsidies in household monetary income by decile of household per capita autonomous income (1990–2017)

Year Decile	1990	1992	1994	1996	1998	2000	2003	2006	2009	2011	2013	2015	2017
I	16.3	13	13.5	18.4	20.5	20	23.2	27.1	49.1	40.5	41.3	41.2	45
II	6.2	5.4	4.9	6.9	7.3	7.1	7.2	7.4	15.5	13	14.3	14	15
III	4.1	3.9	3.1	4.6	4.7	4.7	4.8	4.8	10.4	8.4	8.7	9.1	9.5
IV	3	2.7	2.2	3.3	2.7	2.9	2.9	2.9	6.7	5.3	5.9	6	6.7
V	2.2	1.9	1.4	2.1	1.9	1.9	2	2	4.7	3.6	4.1	4.4	4.4
VI	1.5	1.3	1	1.5	1.3	1.3	1.4	1.2	3.1	2.5	2.8	2.8	3.1
VII	1.1	1	0.7	1	0.7	0.8	0.9	0.8	2	1.7	1.7	2	2
VIII	0.8	0.7	0.4	0.4	0.4	0.4	0.4	0.4	1.3	1.1	1	1.1	1.3
IX	0.5	0.3	0.2	0.2	0.2	0.1	0.2	0.2	0.6	0.4	0.4	0.6	0.6
X	0.2	0.1	0	0	0	0	0	0	0.1	0.1	0.2	0.1	0.2

Source: Own elaboration based on table 4 in Ministerio de Desarrollo Social/UNDP (2020, 60). Available at: https://www.desarrollosocialyfamilia.gob.cl/noticias/ministerio-de-desarrollo-social-y-familia-publica-primera-medicion-comparable-de-la-pobreza-entre-19

duction of economic disparities to a greater extent than an improvement of real wages for low-income workers (Posner 2017, 42). Second, these data illustrate the orientation of social policy towards reducing poverty, not inequality. As an official report points out, priority has been given to increasing the income of the poorest households – a growth effect – rather than to achieving a proportionally greater increase in the income of poor households – a distribution effect (Ministerio de Desarrollo Social/UNDP 2020, 70).

Poverty reduction has consistently gone hand in hand with the expansion of the middle class, whose precarious conditions suggest processes of social mobility and consumption with high levels of debt and vulnerability (Gonzalez 2015). One way of exploring this is to look at the upward and downward trajectories of social mobility: when compared with other OECD countries, Chile has the lowest rate of persistence in the poorest quintile over a four-year period. At the same time, however, Chile has the highest rate of return from middle to lower positions (OECD 2018).

This social policy design has also been underpinned by a set of ideas about progress and individual success. On the one hand, explanations of poverty increasingly emphasize individual factors: the attribution of poverty to reasons such as laziness and lack of effort increased in Chilean society from 18.4% in 1996 to 40% in 2015 (Frei et al. 2020). On the other, several studies show that meritocracy is highly valued. In the middle and lower classes, merit is perceived as a social mobility strategy based on individual effort, which is not always validated in everyday life but reflects a demand for recognition by society that efforts are being made to improve (Araujo and Martuccelli 2012). In the economic elite, meanwhile, explanations of access to top positions emphasize talent over effort – based mainly on leadership ability and business success – which is verified in elites' ascending careers in private companies to the detriment of changes in the social structure (Atria et al. 2020).

Enrichment and economic concentration

Current literature places Chile as one of the countries with the highest concentration of income and wealth in a comparative perspective (De Rosa et al. 2022), highlighting a pattern of accumulation in the top 1% that has fluctuated in recent decades, reaching its highest points during the 1980s (Flores et al. 2020). Historical work shows this to be a feature that has been present throughout Chile's history, as in other Latin American countries, although it intensified during the dictatorship.

The debate on economic concentration also gained momentum during this period. In 1979, six years after the coup d'état and the beginning of Augusto Pinochet's dictatorship (1973–1989), the sociologist Fernando Dahse published a controversial book called *Map of Extreme Wealth*. In it, Dahse tested the hypothesis that the dictatorship had increased the concentration of ownership and management of private companies, on the assumption that the conflicts faced by the government of Salvador Allende (1970–1973, interrupted by the coup d'état) had been exacerbated. This, he suggests, was the result of a "development model of concentration and exclusion," in which the state had played a role in favor of this concentration, imposing a greater sacrifice on the workers (Dahse 1979, 13).

An antecedent of Dahse's thesis is the work of Ricardo Lagos (1962), later President of the Republic (2000–2006). Lagos documented the acute concentration of economic power and found four effects: (i) worsening of income distribution, (ii) concentration of the media, (iii) influence in the appointment of the executive and legislative branches, and (iv) acquisition or growing influence in public enterprises. Later, Maurice Zeitlin challenged the "astonishing consensus" among scholars regarding the presumed separation of control and ownership in large corporations on the social structure and political economy of capitalist countries (Zeitlin 1974, 1073). His research reemphasized the importance of studying the processes of differentiation and internal integration of the capitalist class by looking at the family ties and social organizations in which the upper class is found. Zeitlin showed that Chile was a case of high economic concentration and cohesiveness of the capitalist class characterized by a strong unity of interests and a common class situation among owners and managers of large corporations (Zeitlin and Ratcliff 1988), demonstrating that in contemporary societies there are still multiple institutional configurations and class structures within which entrepreneurial activity takes place.

One year after Dahse's book, in 1980, Joaquín Lavín published *El enriquecimiento de las personas en Chile: Cuándo ha beneficiado y cuándo ha perjudicado al país* (The enrichment of the people in Chile: When has it benefited and when has it harmed the country). Lavín, who would later run as a right-wing candidate in the 1999 presidential election – in which Ricardo Lagos would be elected – defended the economic recipe of the dictatorship. The biggest mistake of previous governments, he said, had been to use public resources to benefit a minority of people and productive sectors to the detriment of the majority. For Lavín, the solution to the opportunistic use of the state implied (i) the elimination of cash subsidies to certain groups, (ii) the elimination of tax exemptions for certain productive sectors, (iii) the promotion of free competition through the elimination of public monopolies and protectionist barriers, and (iv) the elimination of price-fixing, such as had been established in passenger transport.

In the new model, Lavín concluded, wealth "corresponds to the efficiency of each person within a competitive system. This means that the greatest wealth of a person or group corresponds to its effective contribution to the economic growth of the country. The wealth thus obtained not only does not come at the expense of others, but also represents a benefit for the rest of the citizens" (Lavín 1980, 123).

Regressive taxation

Taxes play an important role in institutional design because they reflect a vision of distributive justice (Murphy and Nagel 2001). Not only do they determine the contribution of different groups to the financing of the state, but the debate over the resulting tax burden is full of justifications about the functioning of the economic system, the capacities that the state should have, and the degree of tolerance for inequalities.

The Chilean tax system complements the social policy in three ways: first, it has a regressive tax structure by design, giving priority to VAT, then to income tax, and establishing very low contributions from wealth taxes, thus worsening the market income distribution.

Second, the tax system is even more regressive in practice, offering a series of exemptions and special mechanisms that can be better exploited by the richest, who in fact use them and benefit from them more than the rest of the population. This particularly affects the collection of progressive – income and wealth – taxes and multiplies the possibilities for aggressive tax planning, further weakening the possibility of reducing economic concentration in the top percentiles (Atria 2022).

Third, there is a lower capacity to monitor and control tax compliance in the top groups. This is reflected in the fact that estimates of income tax evasion – a tax paid only by the top 25%, as the rest of the population is exempt – suggest much higher rates than for VAT evasion. Similarly, the last decade has seen numerous cases of tax non-compliance characterized by problems of influence peddling, conflicts of interest, and corruption between tax administration officials and individuals from companies and business groups. Moreover, these problems have occurred in a context where it has been difficult for government agencies to audit large companies and for the judicial system to effectively punish those who have committed illegal acts.

As a result, the tax burden, which is low compared to OECD and Latin American countries (Ondetti 2021), is low for its level of development, reaching around 20% of GDP, but it is also homogeneously distributed across the population, so that the effective rates of the poorest deciles are very similar to those of the top decile and percentile (Fairfield and Jorratt 2016).

The values and ideas about taxes in Chile show, above all, the belief in a country with a legalistic tax culture, where tax evasion is condemned and a more compliant behavior is perceived than in the rest of Latin America. Likewise, the role given to the private sector in the country's modernization limits the function of taxes to raising resources to finance basic social services, rejecting the use of taxes to increase redistribution and advocating the promotion of investment and business savings to encourage entrepreneurship and wealth creation. This leads to the perception of growth as the main public policy of the state (Undurraga 2013), which in turn leads to the promotion of tax efficiency and neutrality so as not to distort the actions of agents.

For these reasons, taxation was one of the issues that were largely absent in the first decades after the dictatorship, and it reappeared mainly as a result of the mobilizations of the last decade, as part of the instruments for reducing inequality and financing social rights. However, the organized action of the business associations, which are particularly cohesive when it comes to taxes, has prevented the approval of progressive tax reforms, based mainly on the call not to slow down the reactivation impulse of companies and on a not always justified criticism of fiscal inefficiency.

Markets: Definitions, criteria, and consequences

The Chilean development model gives markets a central place in the organization of the economy. In "El Ladrillo" (1992), the fundamental text in which the dictatorship's economic program is presented, the function attributed to the markets also allows us to understand the notion of the state defined by its indirect action, consecrating a decentralized social order as the social ideal:

> State action tends to be indirect …. The recognition of the advantages of the market leads to a decentralized planning model that aims to avoid distortions or imperfections that occur in the economic system, where it is essential that the price system is used as an indicator of the relative scarcity of different goods and resources. (El Ladrillo 1992, 63)
>
> The market system implies clear, automatic and impersonal mechanisms of rewards and punishments, while providing sufficient incentives that correspond to a central characteristic of the human being: his ability and will to obtain a better destiny for himself and his family. (El Ladrillo 1992, 68)

Real markets do not work the same everywhere, nor do they interact with the state in the same way. In some Latin American countries, the special role of the market in coordination with the state has given rise to what some authors call Hierarchical Market Economies (HME). Unlike other varieties of capitalism, this model is based on four core features, namely diversified business groups, multinational corporations (MNCs), low-skilled labor, and atomistic labor relations in a general context of reliance on hierarchy in the organization of capital and technology (Schneider 2009, 553). In addition, regressive social security systems, higher levels of informality, low levels of trade union participation, and education and job training that limit individual opportunities predominate in HMEs (Schneider and Soskice 2009). The resilience of business groups is also notorious, contradicting theories of corporate governance in developed countries and expectations of institutional change in response to globalization (Schneider 2008). Chile is an example of this type of institutional arrangement in the sense that although it has a legal and financial system with standards similar to those of high-income countries, large business groups continue to retain great influence and the ability to control the economy (Schneider 2008).

The market orientation retained its importance in the first post-dictatorship democratic governments, and its influence on social outcomes can be verified in key areas such as pensions, education, and housing.[2] In the first case, while the pension system was reformed in the early 1980s to move toward a model of individual capitalization, the demand subsidy in the entire education system maintained the segmentation, especially in primary and secondary education, between those who could access private schools, those who could access subsidized private schools, and those who had to access public schools. Finally, the liberalization of the land market has had the effect of displacing the poor to the periphery, raising the cost of well-located land, and locating much of the social housing in places where the geography of opportunity is detrimental to people's labor insertion.

The pension system is currently one of the most controversial issues because it is an example of an institutional design defended for its ability to improve the results of the previously dominant pay-as-you-go system. In other words, it reflects what market coordination could achieve in place of government planning. According to the Superintendency of Pensions, initial estimates for a worker who contributed to this new system for at least 30 years, with a relatively stable salary and no pension gaps, suggested a replacement rate of 70% of the average income of the last 10 years of contributions. Such was the confidence in the system that, in 2000, a projection by the AFP Association (Administradoras de Fondos de Pensiones, that is, profit-maximizing companies) estimated that Chileans could retire in 2020 with 100% or more of their salary. The estimate was based on an average annual return on funds of between 6% and 7% over 20 years for people who had no pension gaps (El Mostrador 2016).

However, the accumulated evidence shows the problems associated with this institutional design. After almost 40 years of operation, the system reports "low pensions for civilians, large differences in benefits across pillars, large gender biases in pension levels, systemic redistribution of pension savings from wage earners to large economic conglomerates, export of nearly half of the pool pension savings, very high return rates for the AFPs and overall informational complexities for the affiliates" (Solimano 2021, 97). In addition, the scheme created new inequalities: despite the fact that since 1982 all dependent workers were included in the system and required to register in an AFP, the Armed Forces and the Carabineros remained exceptions and to this day maintain a system similar to the one that existed before 1980, at a high cost to the state (Quiroga 2008; Benavides and Jones 2012).

Finally, free competition is a key issue related to the functioning of markets in a system of relations in which the greatest economic stimulus is expected from business and a strong regulatory capacity from the state. Although this point was included in the dictatorship's economic program from its inception, the performance of markets has been questioned in recent decades. This is due to the revelation of numerous cases of concentration in the hands of a few large players and problems of collusion and abuse of dominant position. These cases have long been visible in the public debate because they involved basic consumer goods such as tissue paper, chicken, or medicines. Similarly, the sanctions resulting from such cases have not always been clear, effective, and proportionate to the benefits obtained.

A recent OECD report (2022) addresses the competitive situation of the Chilean market on a comparative basis and shows that it is rather weak. In an analysis of 52 countries, Chile comes fourth for the lowest market dispersion in several companies. In other words, the Chilean case represents a scenario in which markets are dominated by a few groups of companies, surpassed only by Paraguay, Hungary, and Peru. This comparison also shows that it is not only the size of the country that is important for increasing market competition. Among the countries with the highest level of markets spread among many firms, Switzerland, Japan, Italy, and Denmark stand out in the first four places. Chile is also below the Latin American average.

More specific evidence from the Chilean economy allows us to understand the problem of lack of competition in certain areas. For example, there are 10 markets with "extreme concentration," where two players have an average share of 81%, which rises to 97% if the third largest player is included. Here, it is possible to find industries such as pharmacies, liquefied gas, oils, dairy, or mobile telephony (Bravo et al. 2017). On the other hand, the same work shows at least 12 markets with "high concentration," where the aggregate share of the three main players is between 60% and 90%. This is the market situation in such important sectors as electricity distribution, supermarkets, AFPs, and Isapres (insurance providers, part of the private health system).

One way to relate the problems of economic concentration and oligopolistic markets to inequality is through capital accumulation. According to Piketty (2014), a central problem of capitalism in modern societies is that the profitability of capital is greater than the growth rate of the economy. Recent estimates suggest that the profitability of productive capital for the period 1990–2016 could even have exceeded 21%, about 17 percentage points higher than the growth of the economy (Accorsi 2021). This should be considered as just one effect of market concentration among many, which other research agendas have developed in depth around issues such as the indebtedness of the population, the low survival of firms that cannot compete in oligopolistic structures, or the disincentives to innovation and R&D activities.

Discussion

In 2019, a study conducted by the consulting firm Unholster, which looked at changes in the life expectancy of Chileans between 1990 and 2017, showed that in Vitacura, a high-income commune in Santiago, the life expectancy of women was 88 years, while in La Pintana, a poor commune in the same city, it was 77 years. This 11-year difference in life expectancy, according to the study, is mainly due to socioeconomic factors, in addition to differences in the services provided by public utilities. Moreover, the study showed that between 1990 and 2017, the median age of death increased in almost all municipalities, but the increase was not homogeneous. The richest municipalities had the highest increase, while the poorest had the lowest or no increase.

The development model that Chile has followed over the last half century has been considered successful mainly for its ability to grow the economy and reduce poverty, minimizing the importance of economic concentration and the segmented provision of welfare that have driven this market model. The model has not only failed to provide decent pensions for the majority but has also created educational and work trajectories, as well as geographies of opportunity and socialization settings, that vary widely within the same country and can even affect people's life expectancy. This is consistent with the idea that neoliberalism has produced winners and losers among domestic actors, and also with the expectations of conflict that it involves among different sectors of society (Madariaga 2020), something that contributes to understanding the numerous social mobilizations of the last decade.

The institutional arrangements of Chilean development follow a pattern whose historical formation can be traced back a long way. However, recent decades have witnessed the implementation of new ideas about development, as well as tensions with long-standing ones. On the one hand, the capitalist revolution installed by the dictatorship allowed for profound changes in the institutional design and ideas that underpinned a neoliberal conception of development. On the other, an exhaustive analysis of this model cannot ignore the position of Chile and Latin America in the global order, its insertion as an exporter of raw materials, and its exposure to international shocks. In this sense, the recession of the early 1980s or the Asian crisis in each period constrained the authorities and led to policy changes, as occurred in countries of other regions. However, this reaction does not fully explain the continuity of neoliberal policies (Madariaga 2020), nor does it replace the anti-statist orientation of economic elites in negotiating and blocking redistributive reforms.

The new scenarios, marked by a citizenry that is more informed and critical of its living conditions, as well as the constitutional discussion cycle of the last four years, challenge the current economic and political elite and push for changes in a context characterized by high levels of institutional distrust. At the same time, the penetration of market criteria into social life has given primacy to an individualistic model and is linked to a consumer logic that increases the difficulty of making sacrifices and seeking agreements in pursuit of common goals. It remains to be seen how this will affect the Chilean development model of recent decades.

Endnotes

1 These results refer to growth incidence curves of pre-tax national income for the period of the commodity boom. Growth is understood as growth rates of real income by percentile.

2 One should also mention the model of water privatization as a symbol of the processes of market liberalization that occurred during the dictatorship. Indeed, according to one recent study, Chile is identified as the only country with explicit private ownership of water rights. See https://www.ing.uc.cl/noticias/estudio-a-92-constituciones-identifica-a-chile-como-el-unico-pais-con-expresa-propiedad-privada-de-derechos-de-agua/

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Antitrust between success and failure

A sociological and ethnographic reappraisal of Brazilian competition policy

Iagê Miola and Gustavo Onto

Introduction[1]

If we were to go back in time and compare the reality of the mid-1990s to the present time, I have no hesitation in affirming that, in the last quarter of a century, antitrust analysis has become one of the areas of knowledge which, from the perspective of Law and of Economics, has evolved the most in Brazil. This success is shared between the public and private sectors, by academia and the third sector. *(Alexandre Barreto, President of the Brazilian Antitrust Authority – CADE, November 2, 2020)*

Market concentration, alongside financialization and the climate crisis, is increasingly perceived as a major problem in contemporary capitalism. The fact that significant economic sectors are in the hands of a small number of powerful corporations – a phenomenon that is epitomized by Big Tech domination of the "digital economy" – is causing widespread concern. Excessively concentrated markets can be dysfunctional for the competitive logic that underlies them, as well as for consumers and for small and medium-sized companies, whose very survival is threatened. That in turn aggravates existing social and economic inequalities and may even undermine established democratic structures, for example through the conversion of economic power into political power.

One explanation of this emerging phenomenon is states' reduced capacity to prevent concentration and tackle abusive conduct on the part of major corporations. Antitrust law (and policies), pushed by international organizations as a mainstay of government efforts to tackle these problems, have had very limited success in practice. According to analysts, the reason for that, particularly in the United States and Europe, is that in both academia and the political arena there seems to have been a departure from the ideals of economic democracy or competitive markets that originally were the cornerstone of antitrust law (see Klobuchar 2021, Stoller 2019, and Wu 2018, among others). Others point to the currently dominant ideology which tolerates business concentration (Davies 2014; Wigger 2008; Miola 2014; 2016). Furthermore, certain recent economic developments, in particular Big Tech, are largely beyond the reach of the current regulatory frameworks (e.g., Kira and Coutinho 2021).

In this paper we put forward an additional explanation for the increasing concentration of economic power,[2] namely that states find themselves unable to control economic power largely because of the emergence, in recent decades, of a "competition expertise" on how to regulate markets. This comprises the epistemic community of actors in the fields of competition law and economics, and the body of actors, knowledge, discourses, and practices that underlie and guide intervention in the economy (Eyal and Buchholz 2010). The key point for us is that, somewhat paradoxically, this expertise, whose *raison d´être* is ostensibly the state's ability to control economic power, in fact focuses primarily on controlling state power. From this perspective, together with other hypotheses raised in the literature, we argue that the crisis of concentration of economic power has not been caused by institutional and governmental failure. It is rather the consequence of the success of a regulatory framework that is implemented with the overall aim of controlling state power.[3]

In identifying and analyzing this expertise for the purposes of this paper, we rely on sociological, ethnographic, and historical research from the past decade. We draw on empirical material that we gathered during the course of earlier studies on Brazilian competition policy and the antitrust authority (Miola 2014; 2016; Onto 2009; 2014; 2019a; 2019b). The empirical basis for the present study includes: interviews; participant observation; ethnographic analysis; historical and historiographic narratives; official government documentation and internal organizational documents of the Brazilian antitrust authority CADE (Conselho Administrativo de Defesa Econômica); reports and documents of international agencies; legislation and rules on competition; studies on legal and economic theory; and other academic studies on the functioning of antitrust authorities.

We focus on the Brazilian case as a clear example of the phenomenon in point. We note that, as is the case in other countries,[4] the current Brazilian antitrust system is characterized by tolerance of the concentration of economic power (Miola 2014; 2016; Fialho 2020). Between 1994 and 2018, for instance, out of almost 10,000 merger reviews decided by CADE, only 0.21% were rejected and 2.1% were subjected to restrictions (Fialho 2020, 233). The vast majority – 97.6% – were approved without (substantive) restrictions (Fialho 2020, 233).

The development of Brazilian antitrust law reflects consolidation of the predominant expertise on competition. Interestingly, the Brazilian antitrust apparatus is widely considered, by both domestic and international commentators, to be highly successful. It has been praised for its adherence to international benchmarks and "best practices." The antitrust authority CADE has, on more than one occasion, won international plaudits as "the best in the Americas," being ranked higher than the reputable North American ones.[5] Following legislative reforms introduced in the 1990s, CADE was often touted as an example of functional and innovative technocracy within the Brazilian state.[6] In our view, this institutional construction of CADE and the antitrust norms it enforces reflect the characteristics of an expertise on competition that focuses on controlling state powers. This development has not always been free of conflict and tension.

Reflecting on the work of Wendy Brown (2015, 40), we might argue that Brazil is a clear example of generalized paradoxical processes resulting from a neoliberal remodeling of the state as a business entity (or "firm"). The state is constrained to serve and facilitate the economy rather than able to confront it. Beyond that, we examine the narrative underlying the heralded success of Brazilian antitrust policy and identify the institutional frameworks, social relations, and bureaucratic practices that sustain a policy that is, in reality, incapable of combating the concentration of economic power and the inequalities that arise from it.[7]

This text is organized into five parts, including this introduction. In the second part, we describe the construction of the history of success of antitrust policy, exploring the narrative of "development" and "evolution" from a precarious "pre-history" to a "modern" regulatory framework in the 1990s. In the third part, we describe how expertise in controlling state power, which came into being at the time of the creation of "modern antitrust law," was then consolidated with the establishment of a Brazilian "antitrust community." This professional community grew to exercise a "monopoly" over Brazilian competition law, dominated by a close-knit group of actors that remains relatively cohesive because of its individual members' similar professional and personal trajectories. In part four, we examine in greater depth the content of this expertise and the way it is applied to regulatory practice, in other words, how it is translated into bureaucratic practices for controlling state power. In closing, we set out some broader considerations based on this case study.

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"Modern" antitrust policy and the establishment of expertise on controlling the state

Since 1990, control of business concentration and corporate anticompetitive practices in Brazil has been overseen by the Brazilian System for the Defense of Competition (SBDC), of which the Administrative Council for Economic Defense, CADE, is the mainstay. CADE was established in 1962 and underwent major reform in 1994 and 2011. It is the federal agency tasked with overseeing and regulating competition between companies. CADE rulings are issued by lawyers and economists who are appointed by the President of Brazil to sit as commissioners.

According to the Brazilian legal and economic literature, Brazilian antitrust policy was widely used under the nationalist President Vargas and the post-1964 military dictatorship as a means of dealing with clashes between developmentalist aspirations and the interests of foreign corporations (Forgioni 2005). Government authorities relied on it as a form of regulation that many authors characterize as being heavily influenced by ideology rather than practice (e.g., Nusdeo 2002, 218). Notwithstanding the establishment of a competition authority, competition policy was seen mainly as a means of promoting an interventionist economic system and the concentration of Brazilian national capital (Considera and Correa 2002; Todorov and Torres Filho 2012). The state regulated markets through such instruments as price controls and indexing – overriding the formation of prices by market mechanisms – and by means of guaranteed monopolies over strategic economic activities granted to state-owned companies. That impeded "competition logic," rendering it non-viable (Salgado 2004, 362).

Business entities and their legal advisers mistrusted the model for regulating competition that existed in Brazil in the early 1990s. Even within CADE there were those who voiced considerable dissatisfaction with the existing legal structure. In 1992, council members entered into discussions with the Ministry of Justice with a view to introducing fresh legislation and in 1993 the Ministry announced a new commission to that end. The commission was formed of eight members, most of whom were legally trained and worked or had worked in the public administration.

The draft law was submitted to Congress and approved in June 1994, as part of the economic recovery plan known as the *Plano Real.* Law 8.884 of 1994 institutionalized what came to be considered a modern system for the defense of competition. The newly designed framework for CADE required that council members have "known expertise in legal and economic affairs." They were to be granted fixed mandates to guarantee their autonomy. State-owned companies were, for the first time, to be subject to competition legislation. Perhaps the most significant development was the institution of a system for controlling business concentration (merger reviews). In this system, mergers and acquisitions were, depending on their scale, to be subject to CADE authorization, following an economic impact assessment.

The legislation introduced the foundations of a modern policy for defending competition in Brazil, but there was of course no guarantee that it would work in practice. Market players were generally wary of the new law, suspicious that it might be a mechanism for state intervention in the economy, against the grain of the political context of liberalization. The first few years of CADE operations under the new rules appeared to justify these concerns. Nine proposed mergers were submitted for authorization between 1994 and 1996. CADE did not fully accede to any of them. Seven were granted partial authorization and two were rejected outright. Counsel for the affected companies complained bitterly to the Ministry of Justice, seeking to overturn the rulings. In 1996, the Ministry threatened to subject CADE to direct oversight.

The upshot was that less than two years after the introduction of groundbreaking legislation in 1994, the reform of Brazilian antitrust policy was at risk, undermined by tensions between the business-oriented legal representatives of Brazilian companies and the more traditionally-minded members of CADE. The crisis was resolved by what could be interpreted as a process of legitimation, which, rather than introducing significant institutional change, altered the profile of CADE members appointed to sit as commissioners. This process paved the way for the emergence of a competition expertise that was quite distinct from that which had existed up to then.

From 1996 onwards, there was a process of ring-fencing competition regulation vis-à-vis government policy, which continued up to the 2020s.[8] Empirically, this process was perceptible in the change in profile of the CADE members. Up until the crisis provoked by the repeated rejections of mergers and acquisitions, economists who sat on the council were current or former public servants and graduates of Brazilian academic institutions with a well-known "developmentalist" bent and therefore inclined to favor state intervention. From 1996 onwards, there was a distinct change in the profile of economists appointed to the council: the new intake was younger, often had a private-sector background, academic and institutional connections with the United States and in particular with the New Institutional Economics (NIE), as taught at Harvard, Berkeley, and MIT (Miola 2014; Onto 2009). NIE at that time portrayed itself as a specific stream of economic theory through the criticism of what it saw as unrealistic assumptions of neoclassical economics, as the works of Coase, Williamson, and North illustrate. It "share[d] some basic attributes of the dominant neoclassical approach," such as the "emphasis on self-seeking and rational behavior, and the neglect of the role of power in shaping the evolution of institutions" (Burlamarqui et al. 2000, x). As Chang (2002, 547) maintains, a key premise common to NIE and neoclassical economics is the "market primacy assumption," which understands "state intervention and the other non-market, non-state institutions (e.g., the firm) as man-made substitutes for the 'natural' institution called the market."[9]

These NIE-affiliated economists brought with them to CADE expertise that was very much focused on controlling perceived excessive state intervention in the regulation of competition. They sought to promote this by means of the "economization" of competition policy (Onto 2009). In other words, by applying economic methods in which state intervention in business concentrations was subject to an analysis of their economic efficiency (see Berman 2021). That was a departure from their predecessors' methodology, which they considered to be unscientific and politicized.

Another transition occurred in terms of the jurists who sat on the CADE council. There was a distinct generational, institutional, professional, and intellectual shift. Again, the new appointees after the crisis of 1996 were significantly younger than previous members. They were, in the main, graduates from the top-ranking academic institutions of Rio de Janeiro and São Paulo, with a professional background at leading Brazilian law firms. An increasing number were specialists in competition law. They were generally more open to theoretical and practical crossover between law and economics and to the analysis of the law from an economic viewpoint (Miola 2014, 309–13).

In their role as regulators, these council members moved away from the "legalistic approach" which had characterized competition policy between 1994 and 1996 and was considered by many to be problematic. They contributed to CADE's institutional autonomy and to the legitimation of economic science as an appropriate basis for decision-making. The openness to economics of this group of lawyers recruited to CADE was probably due to their keenness on dialogue between law and other disciplines, such as sociology and philosophy of law. This "interdisciplinarity" and their familiarity with the trenchant criticisms of a traditional legalistic approach that was far removed from empirical knowledge was one possible explanation for their recruitment to CADE (Miola 2014).

Even jurists whose role at CADE was considered to be more "traditional" played a significant role in the legitimation of the new system. In that sense they contributed to the juridification of competition policy, consolidating regulatory procedures that limited the discretion of antitrust decision-making. They also contributed to the institutionalization of CADE as an agency independent of the executive, developing the legal merits to ensure that CADE's decisions were not open to judicial review. All this while keeping the legal objectives of the antitrust authority unchanged.

The intake of economists and lawyers with a new professional and academic profile was reflected in CADE's decision-making. In the first two years of the "modern" Council – between 1994 and 1996 – when the "old-guard" specialists were still in office, 77.7% of the cases referred to the Council were then made subject to state intervention. The overall average between 1994 and 2012 (the life period of the 1994 law) fell to just 5.26% of the cases (Miola 2014, 254). Two out of the eight merger rejections to ever be enacted by CADE between 1994 and 2012 happened in the first two years. The other six rejections would take more than 15 years to happen. State intervention became the exception rather than the rule, demonstrating the application to competition legislation of an expertise that was quite capable of controlling state power.

The "antitrust community" and the reproduction of expertise in controlling state power

A field researcher in Brazil who attends academic or professional conferences or colloquiums on economic and/or competition law, or even CADE tribunals inevitably comes into close contact with the self-proclaimed "antitrust community." This is how professionals working in competition law and economics refer to themselves collectively. In the case of Brazil, it usually refers to a nationally-bounded – although highly internationalized – group. The term covers CADE staff members, academics, lawyers, and economists, particularly those in consultancy roles, advising businesses. These actors frequently have divergent and conflicting roles, notwithstanding which they consider themselves to be participants in a common project: sustaining and developing national antitrust policy.

The academic and professional trajectories of CADE tribunal members are indicative of the intense relational dynamics that sustain and reproduce the relative stability and cohesion of antitrust expertise in Brazil. We examine below some of the institutional characteristics of Brazilian competition policy that may explain this dynamic.

CADE is managed by a tribunal with a president and six commissioners. The tribunal sits in judgment on cases involving cartels and stipulates the applicable penalties. It also reviews corporate mergers and acquisitions. The commissioners have a two-year mandate, which may be renewed for a further two years. Appointments are made by the government (the President of Brazil), subject to approval by the Senate, and appointees are usually selected from the ranks of the existing "antitrust community," based on criteria of economic or legal knowhow demonstrated in and consolidated by inter-community academic and professional relations (research groups, academic panels and tutorship, professional associations, conferences and other events, or collaboration in joint publications).

Tribunal members maintain and even strengthen their ties to the antitrust community throughout their time at CADE. At the end of their term of office they are commonly recruited as legal or economic advisers to companies, which they may then represent in antitrust proceedings before CADE, drawing on their knowledge of the agency. This dynamic may diminish the likelihood of theoretical, ideological, or political divergence between tribunal members, thereby fostering the self-reproduction of a very particular body of expertise that is cohesive and largely immune from internal conflict or clash of views with the private sector.

This ideological unity is reinforced by the members' academic trajectories. Between 1994 and 2011, for example, 11 out of the 17 commissioners who were economists were graduates from a select group of Brazilian universities and most had completed postgraduate studies in the United States. They engendered a "de-politized" perspective on competition policy at CADE, based on a lower level of intervention and therefore less conflict with the private sector.[10]

Furthermore, between 2000 and 2011, no less than 14 out of the 16 jurists sitting on the Tribunal were from the city of São Paulo, and 11 were former students at the University of São Paulo (Miola 2014). They, like the economists, also often had international experience and familiarity with US legal practice, as well as inter-disciplinary experience. The relational aspect between the lawyers is key to understanding antitrust practices in the more recent period. It was not uncommon (as continues to be the case) for CADE sessions to be presided over by commissioners who were former law school classmates of counsel for one or more of the parties.

The existence of an "antitrust community" dominated by certain academic and professional profiles does not mean that there is absolute homogeneity in CADE decision-making, however. Differences in approach do exist. Such differences often correlate with differences in the commissioners' professional and academic trajectories – in other words, differences in expertise. Throughout CADE history, there have been instances of the recruitment of "outliers" who did not hail from a typically technical antitrust background. In the early years of the 21st century, for example, members of the antitrust community considered certain Council members to have an "interventionist" or "politicized" profile. That reflected the ascension at CADE, during this period, of lawyers who did not conform to the typical profile that dominated the Council at that time, namely because they had no training or experience in US law or worked in the public sector. The same was said of economists who were seen as heterodox because of their Keynesian or structuralist approach and, again, because of their being from a public sector background.

Despite these occasional internal differences and sporadic tensions, the affirmation that Brazil's modern antitrust system is characterized by excellent technical practice is very closely linked to the consolidation of an antitrust community that promotes recruitment to the regulatory agency of lawyers and economists from broadly similar backgrounds. This community facilitates internal cohesiveness in the production of antitrust policy and the reproduction of expertise that has, as one of its guiding values, the control of state power.

Technique and the demand for objectivity: The content of expertise

The competition expertise that has developed in Brazil, which is extremely cohesive and has a low pre-disposition to conflict, has affected regulatory practice in different ways. From the 1990s onwards, CADE has been increasingly organized and managed in line with a corporate logic. While it is difficult to measure and evaluate the generation or maintenance of national markets' competitive dynamics, certain internal qualities of the antitrust authority, such as its technical capacity, the objective rationality of its decisions, and the time-efficient and practical nature of its proceedings, have become preeminent criteria for assessing public antitrust policies. Such characteristics and ways of assessing antitrust policies, as well as the related technicalities that we analyze below, must be understood as an important part of global processes for the dissemination of state and bureaucratic models in the late 20th century and later. These examples illustrate how certain "public goods" such as transparency and efficiency (Bear and Mathur 2015), adopted and promoted by competition experts, have framed ways of assessing organizational success and facilitated the control of state power in various areas of regulatory practice.

At the institutional level, the 2009 establishment at CADE of a Department of Economic Studies, composed of a team of economists and operating independently of investigation and judgments, helped to consolidate CADE's image of "technical soundness" and reinforced the perception that its economic analyses were impartial and objective. This department is responsible for producing studies and drafting reports to assist the other branches of CADE "so as to ensure that CADE decisions are technically and scientifically sound and up to date" (CADE 2020). This institutional transformation was aimed at enabling "discussion and diffusion of technical knowledge of economics, broadly and horizontally (in other words involving all CADE departments and the community in general)" (CADE 2020). By ensuring that quantifiable economic data is present in its decision-making, CADE has adhered to the practice of recognized international models.[11]

The production of CADE procedural guidelines is yet another example of the "technical materialization" of the rationale that state intervention must be subject to strict control. The first of such documents CADE published was the 2001 Horizontal Merger Guidelines, a step-by-step guide to the agency's economic analysis of corporate mergers and acquisitions.[12] The guidelines, which are based on US models, can be considered a bureaucratic artefact. They are more a showcase of the technical soundness and objectivity of analytical procedures than an accurate representation of the practices actually adopted by the regulators. Under the guidelines, it is apparent that state intervention is deemed justifiable only if based on scientific – especially mathematical – data along established criteria. The guidelines include procedural steps that reflect current economic and legal theory and recent case law on antitrust analysis.

These guidelines, by imparting to public and private agents a certain degree of foreseeability and transparency with regard to their regulatory actions, are similar to other artefacts produced by CADE, such as flowcharts and organograms. More importantly to that effect, annual CADE management reports[13] set out details of the time the agency takes to analyze and judge the cases before it, seeking to demonstrate its increasing efficiency and capacity to keep pace with the demands of the economy. These time-based and quantitative indicators on decision-making (duration of analysis, number of cases decided in a given time period) make it possible to evaluate the Brazilian antitrust agency's capacity and management compared with agencies abroad. A significant part of CADE's perceived success, as reflected in the awards it has won and its favorable media coverage, arises from this new production of data and documents that set out internationally recognized organizational performance criteria.

Final remarks

The elements presented here regarding the workings of the Brazilian antitrust authority illustrate, albeit anecdotally, the emergence, reproduction, and content of expertise in the enforcement of competition law. This expertise is related to the Brazilian state's limited ability to control economic power, in that it (the expertise) is more focused on controlling the power of the state. That in turn provides us with a hypothesis that may explain the apparent paradox at the heart of the Brazilian case: while antitrust law is achieving concrete politico-institutional and organizational success, Brazilian antitrust policy is *nevertheless* increasingly perceived as being ineffective in combating abuses of economic power. The competition expertise that has been institutionalized and practiced has been instrumental in successfully controlling the power of the state. This expertise privileges a specific economic interpretation of antitrust policy, is secured by a socially bounded and cohesive group of regulators, and promotes policy assessment frameworks that emphasize organizational goals to the detriment of visible market effects. The antitrust system's politico-institutional and organizational success has therefore been framed in terms of its effectiveness as a mechanism for controlling state power. In fact, this mechanism has made the antitrust system less effective when it comes to tackling the consequences of concentrations of economic power for the economy.

It cannot be said that the legal antitrust system, both in Brazil and abroad, is immune to criticism. On the contrary, there are at least two potential vectors of "destabilization" related to the established competition expertise. One is that the ground is shifting even within the current competition expertise community. At the heart of the capitalist world, technology companies' concentration of economic power has led academics and professionals from many fields to question and challenge the foundations of "mainstream" competition law. These attacks are beginning to have an impact on decision-making. There has been a recent spate of appointments to key roles, in both the United States and the EU, of individuals who are highly critical of the limitations being imposed on the role of the state. Given the influence of both regions in the global antitrust community, it is quite possible (although not inevitable) that this development will influence the Global South, "diffusing" an approach that runs contrary to the one that took hold in the 1990s.

There is another source of criticism that may prove capable of provoking change in competition expertise. This source is external to the community, at least for now. Increasingly, groups and organizations that are not part of the current competition expertise community see antitrust law as a useful instrument in the control of economic power from a public interest perspective. Civil society groups and bodies that promote and defend digital rights or health-related rights through recourse to competition law are examples. In pursuing their goals, they are questioning the limits of current competition expertise everywhere, raising the bar in terms of the need for justification and legitimation.

Endnotes

1 We are extremely thankful to the participants of the 2021 Seminar of the Graduate Programme in Sociology and Anthropology of the Federal University of Rio de Janeiro (UFRJ), in particular to Fernando Rabossi, and to our colleagues of the Research Group on Economic Power and Democracy of the Brazilian Center for Analysis and Planning (GPED-Cebrap) for insightful comments on previous versions of this paper. We also thank Mariana Heredia for helpful suggestions. All imprecisions

remain of course ours. We dedicate this work to Mario André Machado Cabral, good friend and brilliant academic who left us just too early. Mario's enthusiasm for critical work on competition law and policy was and will always be an inspiration.

2 We use the terms "economic power" and "market power" interchangeably throughout this text, although they can have different meanings in technical legal and economic debates.

3 We have been inspired by the work of David Mosse (2005), who considers that the success of a public policy depends fundamentally on the dissemination and legitimation of an intervention model to the entire community that interprets, formulates, implements, evaluates and critically reviews the policy in question.

4 In the United States, for instance, Lina Khan (2018, 960–62) argues that "mounting research shows that America has a market power problem" and states that "politicians, advocacy groups, academics, and journalists have all questioned whether the failure of antitrust is to blame for declining competition".

5 See: https://www.gov.br/cade/pt-br/assuntos/premiacoes.

6 According to a former CADE commissioner, "CADE became a 'technical' body of the State, characterized by the 'technical-bureaucratic' mentality that Weber described as being *sine qua non* to the development and consolidation of 'rational' law" (O Estado de São Paulo, April 20th 2017, "Um brinde à tecnocracia").

7 Many economic sectors are highly concentrated in Brazil. One famous example is the banking sector, in which four main players dominate approximately 60% of the credit market (https://valorinveste.globo.com/produtos/credito/noticia/2023/06/06/quatro-bancos-concetraram-59percent-do-mercado-de-credito-em-2022-com-operacoes-pressionadas-pela-selic.ghtml).

8 In the specialized literature, this shift is described as a "revolution" (Mattos 2003).

9 This assumption encompasses a normative understanding in respect to the "role of the state" (Chang 2002, 549): if the market is "natural," it is preferable as an arena for economic relations, vis-à-vis the state, and non-market mechanisms of "intervention" are secondary. A second defining feature of NIE, according to Chang (2002, 549), is the proposal of yet another hierarchy: that politics "distorts" the "rationality" of the market system. A corollary of this assumption is the "depoliticization" of the economy by, for instance, "strengthening the rules on bureaucratic conduct or by setting up 'politically independent' policy agencies bound by rigid rules (e.g., independent central bank, independent regulatory agencies)".

10 It should be noted that Brazilian antitrust policy has never gone as far as its US equivalent in adopting, in recent decades, consumer welfare standards that in practice have undermined it. However, it has also proved ineffective in terms of inhibiting market concentration.

11 The US Federal Trade Commission has the equivalent Bureau of Economics to help the "FTC evaluate the economic impact of its actions by providing economic analysis for competition and consumer protection investigations and rulemakings, and analyzing the economic impact of government regulations on businesses and consumers" (https://www.ftc.gov/about-ftc/bureaus-offices/bureau-economics).

12 https://cdn.cade.gov.br/Portal/assuntos/internacional/legislacao/Horizontal_Merger_Guidelines.pdf

13 https://www.gov.br/cade/pt-br/acesso-a-informacao/auditoria/exercicio_2018_1995/auditorias-2001

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Global connections between development and finance

Horacio Ortiz

At least since the 1980s, development policies and narratives promoted by institutions such as the International Monetary Fund and the World Bank have been shaped by the idea that development could be better achieved if economic practice and social organization more generally were articulated mainly through markets, relegating states to mere guarantors of the rules of exchange. This imaginary has given a central role to the financial sector, presented as a marketplace in which free investors are able to invest in financial assets, extending credit and monetary resources in a socially optimal way thanks to the mechanism of informational market efficiency. Such rationales were to some extent called into question by the series of financial and social upheavals and meltdowns that occurred in Latin America, Southeast Asia, and Russia between 1995 and 2001. But reasoning of this kind is still very much alive, for instance in the policies fostering the expansion of digital payment and credit systems as a form of "financial inclusion" that could play a central role in reducing poverty (WB 2014), not to mention proposals to allocate the financial sector a central role in environmental protection, on condition that governments permit it to price environmental risk "efficiently" (IMF 2019).

This article explores two ways in which ideas about development have become entwined in financial sector practices, in a global perspective. The first concerns how the financial sector integrates and contributes to reproducing hierarchical relations among states in a manner that combines an understanding of unequal levels of development and the reliability of states as creditors and sources of profit. This entails paying attention not only to power relations between states and the financial sector but also to ways in which the practices of financial professionals help to reproduce power relations and inequalities among states and, within them, among different social groups. Second, I look at electric vehicles in order to problematize the global relations established by financial investment and the contested roles of the financial sector in environmental protection. My focus here is the assemblage of multiple power relations and concerns that contribute to multi-scalar and multifaceted forms of inequality.

Development, states and finance: Global hierarchical interdependences

Different combinations of state policies and corporate action can have different effects on inequality, production, and distribution. Relations between states and corporations are specific to particular contextual articulations of interests and power relations among variously organized social groups, constituting a plurality of organizational configurations that must be addressed attending to their specificities without subsuming them under a single overarching logic. At the same time, states and corporations operate in global spaces of interaction. Corporations take a geographically complex approach to cost reduction in terms of labor and other resources, their capacity to sell their products and services to segmented groups of consumers, and state regulations, among other things (Tsing 2009). States compete for monetary and other resources. Their relations are organized by multiple hierarchies, including differentials in warfare and technological capacity and the global presence of their currency (Rose and Miller 1992). Global inequalities in terms of per capita GDP or health and education indicators result from interdependent unequal distributions within and across state territories. Definitions of what constitutes development and what does not are thus contested and redefined in these various con-

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figurations of power relations and the unequal distributions they articulate (Bédérracats, Guérin, and Roubaud 2020).

The procedures whereby the financial sector accumulates and allocates money worldwide include a variety of rationales that are partly contradictory. The figure of a maximizing investor has become established as the focus and benchmark of valuation and investment methods for stocks, bonds, derivatives, and other financial assets. Cash flows are analyzed in terms of how much a maximizing investor might be able to appropriate. Prices are considered to be reasonable representatives of the financial gain such an investor can expect to obtain, on the assumption that they result from encounters between maximizing investors in informationally efficient markets. In this theoretical framework, the value of any social activity, considered as an investable financial asset, is determined to be the returns that maximizing investors can obtain, assessed according to the available information.

A mainstream valuation method used in the financial sector, discounting future cashflows at a "required rate of return," establishes a direct relationship between investors and the object of investment. But a concomitant method also used in the sector includes a comparative approach, whereby every asset is valued in relation to the value of all other assets. This presupposes that market efficiency applies to these other assets, so that their prices are representative of their value and can be used to evaluate a comparable object of investment. In this case, particular notions of state sovereignty play a fundamental role. The bonds of some states are deemed "risk-free" because these states are expected always to honor their debts to investors, based on their capacity to extract money from the polity and prioritize debt repayment over other social expenditures (Fourcade 2017). Ratings by rating agencies constitute a prominent representation and reinforcement of a hierarchy among states, in which "risk-free" states pay the lowest returns and all other states and financial assets, deemed "riskier," must pay a "risk-premium." The United States, some European states, and Japan, among a few others, are at the top of this hierarchy. This partly maps the shifting and multifaceted hierarchies established historically in terms of "developed countries" and "underdeveloped countries," which were later known as "developing countries" and, more recently, "emerging markets." The bulk of the money managed by the financial sector in stocks and bonds is allocated to the richest states, with "emerging markets" lagging behind. Thus, sovereignty is defined as a state's capacity to prioritize the maximizing investor, and this definition is used as the basis for determining the financial value of any other asset produced and exchanged in the financial sector (Boy 2015; Ortiz 2021). This contrasts with imaginaries that define the financial sector solely as a site of markets and maximizing investors. State power is an intrinsic part of the notion of financial value, and presuppositions about the stability and temporal continuity of such power, vested in a few states around the world, form the basis of presuppositions about financial stability. But this state power is very unequally distributed worldwide. The positions at the top of the hierarchy result from a history of colonial conquest, world wars, the Cold War and its aftermath. The allocation of money towards these states by the global financial sector thus helps to perpetuate the hierarchy, reinforcing unequal relations between states. Analysis of the financial sector's increasing power in rich states shows that it is diminishing state power, while from a global perspective it is also reinforcing their dominance over other states.

Valuation and investment practices can be put to work for very different interests. In the case of Islamic finance, their meanings and definitions are transformed according to religious imaginaries justifying the prohibition of interest payments, reinforcing the dominant position of religious experts and the states that support them in certain areas of the world (Rudnyckyj 2019). In China, the central government and the Chinese Communist Party (CCP) have reinforced the use of financial methods of valuation and investment as tools to manage state-owned enterprises (SOEs), while loans given by the mainly state-owned banking system are a tool for enhancing and disciplining investment and GDP growth among local governments and both private and public corporations. Accordingly, Y. Wang (2015) shows that financialization, in this case, serves the concentration of power and central government and CCP strategies. Among these, poverty reduction has been deemed one of the most successful worldwide in the past 40 years. Financial professionals partly organize valuation and investment by mobilizing imaginaries of the state to foster identification with the national communities these states are supposed to represent. Studying fund managers in Malaysia, Pitluck (2014) thus shows that they mobilize different expectations depending on whether they identify their counterparty as foreign or as Malay. Ailon (2019) shows how lay traders in Israel who identify as Jewish situate the country with which they strongly identify as occupying a dominated position in a hierarchy at the top of which stands the United States. Forms of national identification thus connect with the way in which financial operators allocate money according to their understanding of global state hierarchies.

Conducting research between 2011 and 2016 among financial professionals engaged in cross-border investment in China, focusing on private equity, venture capital, and mergers and acquisitions, I was able to observe how they were struggling to situate "China" in this global hierarchy (Ortiz 2023a). The government had embraced the category of "developing country" at the time of its access to the World Trade Organization in 2001. But Goldman Sachs had included China in a new category, BRICS, signaling that it no longer belonged to the more widespread category of "emerging markets." By the early 2010s, its GDP and the assets of its financial sector situated it second only to the United States. Furthermore, China's relatively high GDP growth, at a time when it was low or negative in the EU and the United States, made it a promising source of profit for the professionals I observed. But the dominance of the state in the financial sector and of SOEs in other strategic sectors did not correspond to the notion of "risk-free" that organized the kind of hierarchies established by rating agencies. Some professionals made sense of this tension by taking the view that, in the future, China would simply emulate the US and EU economic and political systems. Others, on the contrary, asserted the existence of a Chinese model that was eventually going to impose itself on the rest of the world, validated by steady profits and GDP growth. For some professionals, these two scenarios could occur progressively, while others predicted increasing conflicts around them. Many of the intermediaries I observed, in line with their position as bridges between China and the rest of the world, preferred to adopt a stance according to which, in the future, a "hybrid" would develop combining features of both sides of the divide. In the process, all these professionals contributed to some of the policies adopted by China's central government, bringing money and technology to the territory in line with government projects to upgrade technology, GDP growth, and geopolitical expansion. Thus, as they attempted to assess how to make profits by purchasing non-listed companies and bringing technology to China, these professionals mobilized various views on how the country would "develop" and what their role in the process might be. They combined this with their own identifications as "Chinese," "European," "American," or "Western," adopting various stances – of approval or rejection – in relation to "their" government and its policies. Situating China in a hierarchy of states, at a time when its position was shifting, was fundamental for the ways in which these professionals assessed profit opportunities and contributed, by applying valuation and investment procedures, to allocate money to SOEs and other companies developing their activities and technologies in the territory.

By observing different configurations of power relations and the ways in which inequalities of monetary distribution occur within and between the territories demarcated by state borders, we can see the differentiated distributive effects of financial sector operations. This is so even though, in all cases, financial professionals mobilize the same kind of procedures, including discounted cash flow analysis and relative valuation. Financial professionals accumulate and allocate money worldwide by mobilizing hierarchies of states that are partly informed by imaginaries of differentiated stages of development, which are partly contradictory and shifting, as exemplified by shifts in labels, such as "emerging markets," "BRICS," and the unstable position of "China." Discourses on development are thus part of how the financial sector is co-constituted with states and contributes to the reproduction and transformation of hierarchies among states in the global space of its operations.

Multiple connections between development and finance

Focusing on inequalities, Arsel and Dasgupta (2015) remark on the need to combine the study of class relations with an analysis of other power relations, without subsuming the study of development under a single economic theory. This follows long-standing feminist critiques that have shown how descriptive and normative views on development have tended to render gender dynamics invisible, both among the subjects of studies and among researchers (Parpart 1993). Metrics of development that do not address hierarchies in terms of gender, race, age, religion, or nationality, among others, may reinforce these inequalities by leaving them out of policy aims. Conversely, processes of hierarchical differentiation may help to foster development policies that do not challenge them. These insights are useful when thinking about the ways in which financial professionals' profitability assessments are anchored in multiple power relations.

A case in point is the current drive by states around the world to foster general adoption of electric vehicles. The production of electric vehicles has grown rapidly in the past five years, with increasing demand in the EU and China. The lithium for the lithium-ion batteries used in these cars comes from Australia and, increasingly, from Chile and Argentina. Policymakers in Chile, Bolivia, and Argentina consider lithium a driver of development, boosting GDP growth and, potentially, technology transfers that would make these countries central to a fundamental element of a new economic process. Electric vehicles are being presented by states and the companies producing them as key to the fight against climate change, replacing fossil fuel vehicles. Investment in the lithium sector has increased in the past few years, driven by rising prices and growing demand for electric batteries and vehicles. According to the view that market efficiency allows for an environmentally sustainable GDP growth, financial sector allocation of money to the electric batteries sector provides an instance of market pricing serving the optimal allocation of resources. But more detailed consideration of the development of electric vehicles powered by lithium-ion batteries shows that there are multiple power relations at play here, fostered by financial sector investment without subsuming them under a single logic of GDP growth or poverty reduction. I propose to consider three of them: geopolitical relations between states where imaginaries of national sovereignty and superiority play an important role; the conflicting definitions of the environment that are mobilized by actors concerned with lithium-ion battery production; and the gendered relations that sustain household consumption of electric vehicles (Ortiz 2023b).

Electric vehicle production is currently concentrated in China, accounting for over 50% of electric vehicles manufactured for household consumption (IEA 2022a). Electric vehicle demand is concentrated in Europe and China, where, respectively, 2.5 and 3.3 million of the 6 million cars produced in 2021 were purchased (IEA 2022b). The electric component of vehicles situates them as a key component of state policies officially aimed at environmental protection through reduction of fossil fuel use. But electric batteries are also integral to the digitalization of everyday life, entailing a major transformation of sociality, profit-making, and relations between citizens and states. Riofrancos (2023) shows that US and EU governments have adopted a series of policies aimed at creating supply chains for electric batteries that do not depend on China, for two main reasons. On one hand, these governments claim that this is a good way of boosting their commitment to environmental protection. On the other, they consider it imperative to control strategic resources in a geopolitical confrontation that has become increasingly explicit since the 2010s. For its part, the Chinese government has fostered digitalization of everyday practices not only as a form of environmental protection, but also as part of the creation of "digital China" that would become a global leader in digital technologies (Gruin 2019; J. Wang 2020). These policies include subsidies for companies involved in the production of electric batteries and electric vehicles, among others, as well as regulatory support for investment in the sector (De Podestá Gomes, Pauls, and ten Brink 2023). Finally, in the areas where lithium is mined – such as in the "lithium triangle" situated at the conjunction of the territories of Chile, Argentina, and Bolivia – local and national governments present lithium-ion battery production as the object of technological and economic development (Göbel 2013; Obaya 2021). Financial sector investment in electric vehicles is thus co-constituted globally with hierarchical relations among states.

Governments and companies involved in electric vehicle production claim that it will make a major contribution to environmental protection (Riofrancos 2023). This integrates the financial sector in a project that supposedly aims for the greater good of all, while providing investors with profits. The IMF report quoted above (2019) follows that line of reasoning, considering that correct pricing of "environmental risk" by the financial sector will put it in pole position to finance the transformations needed to avert a climate crisis. This understanding of the environment, its crisis and its solution, is one among many, sometimes conflicting, imaginaries about the planet and the place of humanity in it. For instance, it eschews proposals to radically reduce household car use and replace it with public mobility. Studies of lithium mining sites point out these mines' devastating effects, such as the depletion of water resources, affecting the livelihoods and health of nearby residents. They also point to the development of industrial infrastructure for lithium mining, which has its own environmental impacts, which tend to be neglected in these debates (Weinberg 2023). Thus political ecology points out that the definition of environmental protection that promotes household consumption of electric vehicles reproduces a hierarchical view of the global population, in which the consumption, comfort, and environmental surroundings of the wealthiest segments are to be protected to the detriment of poorer populations located elsewhere (Dorn and Huber 2020). These debates are articulated by controversies among experts in the environmental sciences, but also in law or value-chain analysis. Different metrics of development and environmental protection allocate different roles to the financial sector. Defining the sector as a locus of market efficiency asserts it as a node contributing to mutual reinforcement between environmental protection and development. As our analysis has noted, this view hides, and thus helps to reproduce, global inequalities in terms of environmental destruction and the distribution of comfort and supposed solutions to climate change.

Investment in companies related to electric batteries is in part a bet on growing sales of electric vehicles, currently concentrated in the EU and China. There, as many surveys show, household car consumption is intimately related to definitions of masculinity, which are part of broader and complex gender hierarchies. Sovacool et al. (2018) show how, in northern Europe, electric vehicle sales follow a pattern similar to that of fossil fuel cars, the majority of whose owners are male. In China, cars are also associated with masculinity, in particular in the context of class differentiation in the constitution of kinship ties through marriage. In both cases, household consumption of electric vehicles is organized according to hierarchies that establish a connection between car ownership, maleness, and the income level necessary to afford such items (Kumar and Alok 2020; Zheng 2020). Thus financial sector investment in electric vehicles is premised on gender disparities. At the same time, by funding these companies, the financial sector, in line with the government, which subsidizes or provides regulatory support for this sector, helps to perpetuate the affordability of these markers of gender disparity. Presumably things would be different if, for instance, the public authorities discouraged household ownership of cars in favor of public transport. In this process, the financial sector's accumulation and allocation of money helps to produce an entanglement between a particular set of development policies and the reproduction of gender hierarchies.

These three examples show the importance of looking at the multiple power relations in play in the funding of technologies, production, and consumption practices. Among other things, the expansion of electric vehicles is premised on companies' ability to produce profits for shareholders, the support of states engaged in geopolitical confrontations, the dominance of certain definitions of the environment over others, and social hierarchies articulated in terms of income differentials and gender distinctions. Paying attention to this multiplicity of power relations shows how they could connect differently with different metrics and definitions of development. Differentiations among financial sector professionals are articulated in terms of gender, race, age, nationality, and religion, among others (Chong 2018; Ho 2009; Rudnyckyj 2019; Ortiz 2021). Further research could connect these inner workings of the financial sector to how financial professionals allocate money worldwide, mobilizing similar hierarchies to imagine the stability and transformation of social relations from which they expect to obtain profits.

Conclusion

This article proposes to explore the role of different concepts of development in the ways in which the financial sector (re)produces global inequalities in the manner in which it accumulates and allocates money. Standardized financial sector procedures of valuation and investment mobilize imaginaries of global hierarchies among states that are partly articulated in terms of unequal stages of development. As they apply these procedures, financial professionals contribute to reproducing and transforming them, in a way that co-constitutes the financial sector with these state hierarchies. Power relations among states are thus sustained by financial sector practices. Looking at electric vehicles, proposed by many states and companies as a means of environmental protection and the fight against climate change, we can see how these conflicting relations among states are only part of the power relations at play in the financial sector's accumulation and allocation of money. Different views on the environment and hierarchies based on gender also play a constitutive role in this global monetary allocation. The notions of development mobilized to justify or criticize the expansion of household electric vehicle production are thus partly premised on these multiple power relations and the inequalities they tend to reproduce.

These analyses may serve as a reminder that financial sector practices, although explicitly premised on the generation of profit for the figure of the investor, are actually sustained by a multiplicity of power relations in which profits are not the sole rationale. In turn, when studying the role of the financial industry in development policies, it is important to remain attentive to how the manner in which it accumulates and allocates money can be anchored in, reproduce, and transform a variety of power relations and inequalities. In all these cases, the financial sector's global operations and the hierarchy of states upon which notions of financial value, risk, and profit are premised mean that, even when we are studying a particular locale, we must remain attentive to its global connections.

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Entrenched informality
How non-enforcement, fintech, and digital payments are challenging development in Latin America

Matías Dewey

In the late 1990s, José emigrated from Bolivia to Buenos Aires, Argentina. There, he found a formal job, which he lost in 2000. The following year, in 2001, José obtained 50 dollars and, using his mother's sewing machine, began informally manufacturing children's caps and selling them in La Salada, an informal garment-oriented marketplace located in a disadvantaged suburb of the Buenos Aires metropolitan area. Twenty-three years later, José is still producing and trading in this economy. He now has two production facilities, manufactures an average of 10,000 caps per month, and informally employs 16 people. José's case has two peculiarities. First, he works in an informal sector from beginning to end, from production to the final consumer. This means widespread lack of compliance with labor, safety, health, and fiscal standards. Such massive informality and the fact that this thriving informal economic sector has skyrocketed in the last 30 years calls for reflection on the role played by governments at different levels. The second peculiarity is that José, although he has many employees and produces thousands of garments per month, does not have a bank account. Instead, he manages the entire flow of payments and receipts through digital wallets like Mercado Pago. In other words, we are witnessing the expansion of informal businesses completely detached from formal processes, such as taxation or health, safety, and labor inspections. This digitization of the informal economy, particularly payments, calls for reflection on how these digital instruments are regulated, enforced, and implemented vis-à-vis public policies aimed at financial inclusion. In sum, the two salient features of José's business, otherwise a typical case of current informality in Latin America, point to the need to examine the main drivers of informality in the region.

Drawing on my ethnographic fieldwork in Argentina and Brazil, more than 115 in-depth interviews conducted in the last 10 years, and existing literature on the role of enforcement as a mechanism through which governments can achieve specific politically valuable objectives, this paper draws attention to the political economy around law enforcement. It analyzes how governments respond to the vast informal economy in which José works and poses questions on how governments respond to the expansion of fintech-based payment services. More specifically, this piece argues that non-enforcement can become an instrument through which governments implement what I called elsewhere an "informal industrial policy" (Dewey and Di Carlo 2022). For governments, non-enforcement can become an attractive strategy when a country's productive structure is such that non-enforcement of regulations can be deployed more effectively than alternative lawful industrial policies. Although this article focuses on informality in a specific economic sector – fast fashion – the argument can be extended to understand the rationale of the relationship between government and informality in other economic sectors.

The article is divided into four parts. First, I describe the primary explanations for labor informality in the region and show the importance of considering non-enforcement. Second, I present a succinct characterization of this informal economic sector in Argentina and Brazil. Third, starting from the observation that we are in the presence of economic sectors whose emergence is mainly due to government non-enforcement, I explain the political logic behind it. I conclude the article with reflections on what I regard as a crucial question for thinking about economic development in the region: the political economy of informality in Latin America, which means the study of the regulation of digital payment services, the non-enforcement of the law, and "financial inclusion" as public policy and discourse.

Drivers of informality in Latin America

Informality has been an enduring feature of the continent's labor markets for years, an almost "traditional" issue that is being renewed and given new contours by the pandemic and other concurrent processes, such as increasing digitalization. Debates on labor informality have traditionally been part of a broader discussion centered on the problem of how to foster economic development. Hence, the issue of informality is closely linked to questions about public policies, especially those directed at regulating labor markets, and the state's role in this process. As Tokman (2004) observed, discussions on the informal sector started as discussions on the labor market and the ample potential of informal activities for low-income sectors. Notably, the reflection on informality has not been primarily centered on illegal behavior but on its main drivers.

The first line of research on the causes of informality focused on labor markets and their capacity to generate new jobs (Tokman 2001; 1981; 1982; Ludmer 2019; Pinto 1970; Souza and Tokman 1976). This perspective presents informality as an alternative economic space to formal labor markets that cannot absorb workers, typically border or internal migrants moving to large urban centers. As noted by Tokman, one of the referents of this approach, the informal sector becomes a refuge, an easily accessible space for survival, where self-employment and microenterprises with unspecialized work processes flourish. In his view, informality reveals a segmented labor market that is characteristic of developing countries.

In the 1980s, with the expansion of work processes on a global scale and the recognition that informality was not a phenomenon specific to developing countries but rather to capitalist economies, scholars started observing informality in the context of the decentralization and specialization of work processes. Alejandro Portes (Portes and Schauffler 1993; Portes, Castells, and Benton 1991; Portes 1983), a clear representative of this perspective, proposed to see informality as a constitutive element of global capitalist dynamics, that is, as the consequence of companies that, in a context of growing international competitiveness and market instability, decentralize their production and flexibilize work processes. The latter means nothing less than a growing prominence of subcontracting, especially in developing countries, where the state's capacity to safeguard labor relations may be weak. Thus, the perspective introduced by Portes and colleagues (1991) no longer conceives of informality in terms of a mode of production or organization of work but instead emphasizes the modes of use of labor or, more specifically, the modes of contractual relations. According to Portes and his associates, statistics should consider the informality hidden in subcontracting chains composed of unprotected employees. This contribution to the debate was the initial impulse that would lead to changes in the definition of informality in the reports of the International Labour Organization.

In the mid-1980s, as a clear demonstration that reflection on labor informality in Latin America also implies reflection on the state's role, the economist Hernando de Soto (1990) proposed to understand the informal sector in terms of its possibilities for access to legality. Not without hope in the potential of those participating in the informal sector, de Soto suggested paying attention to the tangled web of regulations and bureaucratic processes that discourage entrepreneurship and creativity and hinder economic progress. Thus, regulatory simplification, the implementation of decentralization processes, and the dismantling of bureaucratic obstacles became the recipe by which a sector submerged in illegality could gain access to legality and realize its full potential.

By contributing to this long-standing debate on informality in Latin America, this article highlights an aspect that has not been considered in previous accounts: the enforcement of informality by governments. If there is one common feature of the above approaches to informality, it is that they assume governments have a clear interest in combating informality. Moreover, this supposed governmental interest manifests in regulatory proposals and changes to transform reality. At the risk of schematism, the aforementioned first line of research on informality, especially that centered around the Regional Employment Program for Latin America and the Caribbean (PREALC), emphasized the need for a variety of regulations aimed at combating informality, such as investment promotion, training, creation of microenterprises, or the recognition of rights. Similarly, the structuralist perspective of Portes and associates has focused on specific contractual arrangements, such as subcon-

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tracting by firms, and the need to increase the capacity of the state to monitor such labor relations. Finally, de Soto's neoliberal perspective, perhaps more explicitly, relies on regulations to simplify processes to combat informality. In sum, despite the idea that informality is a problem whose solution would lead to more robust and inclusive development in Latin America, the three approaches suggest regulatory changes to transform informality into something else but do not question the intention of the regulator to produce such changes.

These three approaches assume (1) that governments are interested in fighting informality through regulatory change and (2) that governments are, per se, interested in enforcing regulations. Based on this critical reading of the existing literature, my argument is that under certain circumstances, governments may not be interested in fighting informality but rather in promoting it, and they do so by not enforcing regulations. Current research on the non-enforcement of the law in Latin America can be divided into two main drivers of government behavior: electoral politics and the production of social order. The pioneering work of Lucas Ronconi (2010, 734; 2012) highlights the impact of the electoral cycle on enforcing labor standards. Later works such as that of Alisha Holland (2017) and others (Feierherd 2020; Brinks, Levitsky, and Murillo 2019) have given new impetus to the study of non-enforcement, now conceived as "forbearance" by emphasizing the distributional possibilities that non-enforcement offers. The second group of works (Dewey 2012; 2020; Dewey, Woll, and Ronconi 2021) does not ignore the role of electoral politics as a driving force of non-enforcement. However, it postulates that governments must also produce certain levels of social order to deploy a given political agenda. In other words, it is not so much elections as the social structure, which in the case of Latin America is characterized by high levels of structural informality, that imposes the non-enforcement agenda.

Taking the economies of La Salada and Feira da Madrugada as empirical references, the following sections develop the argument of non-enforcement driven by the need to produce social order. The latter is understood as the neutralization of protests or the avoidance of conflict, the creation of employment, even if informal, and the boosting of consumption. The economic sectors analyzed, devoted to the production and distribution of fast fashion, are characterized by a profound informality from production to final consumption, and both have grown exponentially in Latin America in the last 30 years. Non-enforcement is not a sufficient condition to explain the growth of this sector, but it is a necessary one. By focusing on the logic of governments facing structural problems and the need to produce governance, this article follows the tradition of works that reflect on the causes of informality and raise questions about the role of governments and state structures.

La Salada and Feira da Madrugada

La Salada in Buenos Aires and Feira da Madrugada in Sao Paulo are gigantic marketplaces devoted to the business of low-cost, sweatshop-made garments. On the one hand, these marketplaces nourish long-distance informal trade circuits that reach far-distant provinces and cities. On the other, they host thousands of garment entrepreneurs who rent a stall there to display and sell their products. Thus, La Salada and Feira da Madrugada work as meeting points between informal fast-fashion producers focused on wholesale and traders who travel to Buenos Aires or Sao Paulo to resell garments in other provinces. Both marketplaces are immense facilities that host thousands of stalls and facilitate the commercialization of essential clothing to a large part of Argentina and Brazil. Moreover, these marketplaces foster large informal economies in both countries. For example, around 200,000 people in Argentina work in the economy centered around La Salada, either in the production sector or distribution centers. None are correctly registered, implying they are excluded from access to contributory social security, including health insurance. Similar to what early conceptions of informality predicted, these economic sectors are virtually disconnected from formal processes from production to final consumption. In Feira da Madrugada and La Salada economies, production, distribution, and consumption occur outside state regulations.

The political economy logic of non-enforcement

The extension of these economies and the multiplicity of regulations that are evaded or violated call into question the role of governments at various levels. In the Latin American context, a common explanation of widespread law-breaking behaviors is the weakness of state institutions (Brinks, Levitsky, and Murillo 2020; 2019). However, the explanation of institutional weakness cannot be generalized to the case of La Salada and Feira da Madrugada since government responses in both cases are often consistent with the reactions of "strong states." Commonly, the lack of state capacity refers to structural constraints that, by their very nature, remain constant over time. However, rapid law enforcement responses, such as when scandals erupt over migrants exploited in sweatshops, suggest that governments do have the capacity to respond to specific events. As Acemoglu (2005) argues, the state capacity explanation often ignores the self-interested motivations of the actors in charge of law enforcement. In this sense, explanations of non-enforcement based on state capacity tend to treat state capacity as a fixed and exogenously produced quality. However, if we seriously consider the motivations of regulators, we should recognize that state weakness may be endogenous to the policy (Besley and Persson 2009), that is, governments' intention not to enforce the law by actively undermining state capacity. As recently noted, this undermining is a widespread phenomenon, mainly through the politicization of labor agencies, which weakens state capacity by limiting their ability to enforce labor standards (Dewey and Ronconi 2023).

Building on these critiques, several recent works analyze non-enforcement as a deliberate informal policy. Strategic non-enforcement by governments has been used to respond to increased competitive pressures generated by trade openness (Ronconi 2012a) or as a mechanism to extract resources from certain economic activities (Ceccagno 2017; Dewey 2018; 2020). This line of research has gained new momentum with Holland's (2017) work on forbearance. Here, politicians capture enforcement agencies and use non-enforcement to redistribute benefits, expecting to be rewarded by voters at election time. As stated before, without ignoring the explanatory potential of electoral competition as an incentive for non-enforcement, it is possible to extend Holland's explanation by highlighting it as an instrument to foster the economy.

In line with extant research, this article claims that the mentioned economies have grown in the heat of government non-enforcement. As I have argued elsewhere (Dewey and Di Carlo 2022), this non-enforcement can be seen as an informal mode of regulatory governance because governments shape the supply side in these economies through non-enforcement of regulatory violations. In other words, non-enforcement, implemented through the capture of state enforcement agencies and manipulating enforcement mechanisms, can become an informal industrial policy. Tinkering with enforcement mechanisms becomes particularly relevant in a context characterized by structural informality and import substitution-oriented government interventions that have lost their attractiveness.

In both economies, governments use the possibilities offered by non-enforcement as a strategic way of managing the economy. Through the manipulation of enforcement mechanisms – or what can be understood as "political leniency" (Holland 2016, 233) or a "reduction in the stringency" and effectiveness of enforcement mechanisms (Gordon and Hafer 2013, 209) – governments at different levels confer selective advantages to targeted socioeconomic groups that benefit over other, law-abiding market actors, such as formal garment producers. Various non-compliant actors, be they entrepreneurs, vendors, or traders, do not contribute to the state, thus enjoying higher incomes and the ability to pass on some of these savings in their final prices. The latter allows them to capture market share from formal competitors. Thus, non-enforcement in the informal sector is the functional equivalent of a direct subsidy used as an instrument of industrial policy.

This article posits two constellations in which governments may tinker with enforcement mechanisms. First, non-enforcement becomes an attractive policy choice when governments want to help thousands of garment entrepreneurs and traders scattered across the national territory but lack the legal competence to do so. For example, national governments have no jurisdiction over subnational matters such as labor inspections. However, they can influence enforcement agencies with national jurisdiction in crucial parts of the fast fashion distribution chain, such as police forces, to provide non-enforcement on the roads. Second, non-enforcement becomes an attractive instrument when the country's productive structure features structural informality, such that non-enforcement can be implemented more effectively than alternative legal industrial policies. As a result of non-enforcement of tax, safety, health, or labor enforcement in favor of certain groups, such as the participants in the two economies in question, those who do not comply with the law enjoy a de facto tolerated exemption vis-à-vis other actors who behave according to the law. Such tolerance is easily seen in the lack of inspection of the thousands of informal workshops that have proliferated in the last 30 years in both Buenos Aires and Sao Paulo.

Digital payment services: The new frontier of research on informality in Latin America

In recent years, and with particular impetus during and after the pandemic, digital infrastructures have profoundly changed the dynamics of the informal garment sector analyzed in this article. This observation is particularly true in the case of electronic payment methods. In the vein of de Soto's neoliberal credo, these services allow fast fashion producers and traders to carry out transactions in a "simplified" way. José, mentioned in the introduction, is a case in point. He has no accounts with traditional banking institutions. Instead, the universe of transactions directly or indirectly involved in producing ten thousand children's caps per month flow through 36 digital wallets, a service provided by the fintech companies Mercado Pago and Tarjeta Ualá.[1] These fintech-based digital payments have generated new dynamics in the informal sector and created contradictions with other public policies.

The informal economy is the space in which the conflicting relationship between two public policy orientations becomes evident: one that tends to "financially include" a sizable unbanked sector of the population and the other that seeks to prevent illegal transactions through digital payments. A clear expression of the first orientation is the promotion of digital wallets, which aim at financial inclusion according to the dominant discourse shared by both fintech and governments. That inclusion is achieved by reducing the barriers and friction to opening an account or making a transaction. For José and his employees, it is easier and less risky to rely on digital wallets to open accounts and carry out transactions than with traditional banking institutions. Meanwhile, an expression of the second orientation is the need and obligation of governments to prevent the proliferation of illegal transactions throughout the financial system. Traditionally, the latter has been achieved through a set of procedures and practices implemented by traditional banks and stemming from states' adherence to international anti-money laundering regulations.

In Latin America, these public policy orientations encounter points of conflict when the reduction of barriers and requirements for the use of fintech-based financial services (1) is exploited by illegal actors and (2) undermines the capacity of the state to monitor and control health, safety, and working conditions in informal economic enterprises that are far from marginal. In other words, governments face the dilemma of striking a balance between accessibility to financial services and the integrity of the financial system. In addition, successful cases like José's, which are common in the economies of La Salada and Feira da Madrugada, pose a fiscal problem in that they are businesses in which tax evasion is a massive phenomenon facilitated by digital wallets and accompanied by professionals (e.g., accountants, lawyers) who are aware of the lax regulation of digital payment services.

In political terms, this constellation can be analyzed by distinguishing between responsiveness and responsibility (Scharpf 1997). Governments are not only responsive to political groups, for example, by leaning toward greater inclusion of informal participants in the financial system at the expense of integrity for simple electoral motives. Governments are also responsible for maintaining a financial system that does not become a platform for various types of malpractice, collecting taxes, and promoting tax fairness.

Recent research on the link between digital platforms (Culpepper and Thelen 2020), their users, and governments shows that users generate a robust relationship with digital service companies, as the latter become essential tools that facilitate the fundamental dynamics of daily life. The power of platforms comes from the practical and emotional attachment of users to digital services. Any government action that upsets this relationship would mean a loss of political capital, as evidenced by the Argentine government's retraction every time Mercado Pago complains about regulations imposed by the Central Bank, such as the requirement for users to validate their identities or transactions (Chaves 2023). In the case of the economies analyzed in this article, digital wallets become an essential infrastructure on which the life of a business and all its employees depends. This alliance between users and technology companies significantly reduces the political incentives to impose restrictive regulations, such as collecting taxes or the obligation to declare the origin of funds. The pro-market orientation of several current Latin American governments and their unstable electoral bases allow us to predict a situation that confirms Culpepper and Thelen's thesis about the balance of power between government and platform. Future research should focus on the (non-)enforcement of anti-money laundering regulations aimed at not creating friction with the electorate of the informal economy.

Even assuming the political will to implement mechanisms to prevent illegal transactions and tax evasion exists, there are difficulties regarding state capacity. For example, interviews with agents of the Central Bank of Argentina indicate not only a problem of political will to control large companies such as Mercado Pago but also a problem of technical capacity and expertise to monitor millions of daily transactions and understand behavior patterns. In this context, it is important to highlight an obvious truth: digital media and digital payments are changing social practices. Knowledge of these new realities is essential for the state to effectively monitor economies such as La Salada or Feira da Madrugada. Behind a series of supposedly unrelated transactions seen by the state, José's case and many others reveal a scheme of interconnected actors whose goal is to use virtual wallets to evade taxes. In summary, new digital payment services are incorporating a segment of the population into the financial system and facilitating economic transactions, but the magnitude of this inclusion is at the same time potentially corrosive to the relationship between an economically disadvantaged segment of the population and governments that are expected to bring about change.

1 José, his wife, and their sixteen employees have two virtual wallets from Mercado Pago and Tarjeta Ualá.

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Productive planning in an unstable country: The case of Argentina (2019–2023)

Daniel Schteingart

Introduction

During the period 2019–2023, Argentina was governed by a coalition of different factions of Peronism, a party that traditionally made state-led industrialization part of its narrative. In this context, there was a prioritization of the productive development and industrial policy agenda, which increased its resources compared to the previous government (2015–2019), whose orientation had been more economically liberal.

The idea behind the push for productive policy was that changing the productive structure is one of the great engines of economic development, and that macroeconomic stability is a necessary but not sufficient condition to ensure high growth rates that reduce poverty and create prosperous and inclusive societies. Transforming the productive matrix, aiming for higher levels of complexity, productivity, innovation, and generation of foreign currency and employment, thus became a priority of public policy (Ministry of Productive Development 2020).

During those years, I had the opportunity to be part of the technical teams of the Ministry of Productive Development, the agency responsible for executing the main axes of the productive policy. First, between 2020 and 2022, I served as director of the Center for Studies on Production XXI (CEP-XXI) and then as coordinator of the *Argentina Productiva 2030* Plan (2022–2023). This initiative aimed to build a systematized and modern roadmap for Argentina's productive development. The Plan (hereinafter, PAP2030) was published in March 2023 but was not fully implemented. The main reason was instability, both macroeconomic and political, something that has been a common denominator in Argentina's long-term history.

In this piece, I seek to analyze the main challenges and achievements derived from the design and the truncated implementation of the Plan. In this way, I aim to identify lessons that can improve the execution of productive policy in developing countries.

The structure is as follows: The first section briefly reviews the political context in which PAP2030 was developed. In the second, the main aspects of the productive policy of the period are described, and in the third, PAP2030 is analyzed, including its genesis, design, and the main obstacles and limitations that existed. Finally, the conclusions are presented, detailing some lessons learned from the period.

General political context

At the end of 2019, Argentina underwent a political shift for the second time in four years. The government of Mauricio Macri (liberal center-right and mostly anti-Peronist), which had lost its chance of re-election after the severe economic crisis of 2018–2019, handed over to Peronism, which had ruled between 2003 and 2015. The new government emerged from the union of a large part of the Peronist party, which had been divided since the beginning of the decade. Three leaders stood out in this coalition: Alberto Fernández (elected president), Cristina Fernández de Kirchner (hereinafter CFK, elected vice president) and Sergio Massa (elected as President of the Chamber of Deputies). CFK was the main figure of Peronism, having governed between 2007 and 2015, continuing the legacy of her husband Néstor Kirchner who had done so between 2003 and 2007 and had initiated a shift from the neoliberalism of the 1990s to a progressive center-left. Despite Alberto Fernández being appointed president, the bulk of the power was retained by CFK, the leader who proposed him to head the government.

The new government took office with the promise of repairing the social and productive indicators that had deteriorated during the previous government.[1] Shortly after the new administration began, there was a shift towards a productive policy that became more protectionist. Additionally, it involved greater resources for financing programs and credits to the industrial sector. Consequently, this productive policy bore more resemblance to the 2003–2015 period than to that of 2015–2019. However, the advent of the COVID-19 pandemic a few months after the start of the new government forced a reorientation of public policy, more towards avoiding further damage to the productive matrix than expanding productive capacities. In this context, the state implemented a set of policies that included financial support for companies and individuals, successfully preserving both the productive capacities and household incomes (Etchemendy et al. 2021).

From 2021, although the pandemic was in retreat and the economy in clear recovery, the internal cohesion of the government was severely strained. The defeat of the ruling party in the legislative elections of that year led to a significant political crisis, with growing tensions between the president and vice president, which ultimately undermined both inter- and intra-ministerial management and coordination as well as presidential authority. At the same time, the political crisis prompted successive cabinet changes, including the key ones in the Ministry of Productive Development and Ministry of Economy, which changed twice in 2022. The political internals only stabilized when Sergio Massa – the third "shareholder" of the government coalition and outside the rivalry between Alberto Fernández and CFK – moved to the Ministry of Economy in that year, absorbing the functions of several ministries and gaining notable power within the government. However, the new administration failed to straighten out the growing macroeconomic imbalances, which were also exacerbated by one of the worst droughts in Argentine history in 2023. The inability to improve social indicators – a result of an economic stagnation of more than a decade and rising inflation – led to defeat in the 2023 presidential elections, where a libertarian far-right outsider economist, Javier Milei, was elected president.

Productive policy

Following the presidential change in 2019, Matías Kulfas, a developmentalist Peronist economist close to Alberto Fernández, assumed the role of Minister of Productive Development. He had been a public official during the Kirchner administrations but had later criticized some of their economic measures. The new administration substantially increased funding for implementing productive policies, aiming to strengthen and modernize existing sectors and create new ones.[2]

The bulk of the increase in funding for productive policy was explained by two instruments: the Guarantee Fund (FOGAR) and the Productive Development Fund (FONDEP). The former was intended to facilitate access to credit for SMEs, while the latter subsidized interest rate and non-repayable contributions (subsidies) to the productive sector, mainly industrial. At the same time, shortly after the beginning of the administration, there was a considerable shift in the external trade policy through increased use of non-automatic import licenses, which rose from about 15% of imports to 30%. The aim was to recover local manufacturing production (which had been greatly hit during Macri's government), thereby generating employment and saving foreign exchange in sectors such as automotive, agricultural machinery, household appliances, textiles, clothing, and footwear, among others. In most of these cases, the objective of increasing production and employment compared to 2019 levels was achieved, although at the expense of higher-than-average price increases.[3]

In parallel, new focal points of productive policy, which had previously received little attention in Argentina, began to be prioritized. This included industry 4.0, the knowledge economy, and productive opportunities derived from the energy transition, such as the development of electric mobility or green hydrogen. Also emphasized was the development of new sectors outside the conventional agenda, such as medicinal cannabis. This shift led to the drafting of bills intended to incentivize the growth of sectors like these. However, due to internal conflicts within the government, only the bills pertaining to cannabis and the knowledge economy were approved in Parliament. On the other hand, the Ministry created programs to promote the 4.0 paradigm and green production, culminating in the launch of the Productive Development Plan 4.0 and the Green Productive Development Plan in 2021.

In 2022, disputes within the government led to two changes of authorities in the Ministry of Productive Development, which was also downgraded to a

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secretariat and absorbed by the Ministry of Economy. Despite maintaining the general conceptual belief that productive policy is essential for structural change, the reduction in funding, the loss of specialized technical staff, and increasing macroeconomic imbalances significantly hampered its effectiveness.[4]

The Argentina Productive 2030 Plan

The previous steps

The proliferation of initiatives to support the productive sector following the change of administration in 2019 was not initially accompanied by comprehensive long-term development planning, which would have maximized their coherence and systematization. The main reason for this lack was not a deficit of political will or long-term vision. On one hand, it was due to the lack of institutional capabilities for productive planning within the Argentine state. On the other, it stemmed from Peronism's inability, while outside of government, to achieve programmatic coherence among its different factions regarding a development model. Additionally, there were challenges in assembling technical teams and securing sufficient resources to develop a productive plan in preparation for a return to power.[5]

During the post–World War II period, Argentina managed to build a state bureaucracy specialized in productive planning. This policy survived recurrent institutional disruptions. A prime example was the National Council for Development (CONADE), established in 1961, which possessed significant bureaucratic capacities and influence in public policy design until the early 1970s (Jáuregui 2014). However, these capacities were dismantled in the last quarter of the 20th century as Argentina transitioned towards a more deregulated economy.

In the period from 2003 to 2015, there was a resurgence of interest in productive planning, leading to the development of several plans, including the Strategic Industrial Plan 2020, created in 2011. However, while a technical staff was formed, rotation, instability, and identification with a particular political administration hindered the establishment of a stable, career-focused professional bureaucracy in productive policy. This was clearly evident after the change of government in 2015, when numerous specialists who had been part of the design and implementation of productive policy left the public sector, either voluntarily or because they were dismissed. A similar situation occurred during the 2015–2019 period, in which a technical staff was formed for productive matters but many of its members left the public sector in 2019, either because they were politically identified with the outgoing government or due to the uncertainty produced by the political transition to the new government. This volatility in the technical staff was amplified by a phenomenon that became increasingly recurrent in certain areas of the Argentine state: the fragility of working conditions. This was evidenced by the existence of fixed-term contracts and the strong erosion of real wages during 2018–2019.

In this context, the incoming administration in 2019 set out to gradually create the conditions for developing a productive plan. Shortly after the government began, two areas were established within the Ministry of Productive Development: the Council for Structural Change (CCE, in the Spanish acronym) and the Center for Studies on Production XXI (CEP-XXI).

The main goal of the CCE was to debate the direction of Argentina's productive structure and to redesign productive policy to guide it towards that destination. This involved general discussions on the direction with various participants (national and provincial public officials, private sector, etc.) and several specific studies, some of which led to legislative proposals or programs.[6] Renowned academics were convened for this purpose.[7] The management of the CCE was carried out by technicians who joined the Ministry in 2019, many of whom had experience in designing productive policy prior to 2015.

The discussion on the future direction of Argentina's productive structure involved addressing agendas that had been relatively under-explored in the country at that time, such as medicinal cannabis, the knowledge economy, green hydrogen, electromobility, aquaculture, bio-inputs, biological pharmaceuticals, clinical trials, mining suppliers, energy efficiency, the 4.0 paradigm (and its uses in agriculture, industry, and tourism), venture capital, or healthier food production. On the other hand, certain industrial promotion regimes were thoroughly debated with the aim of reforming their most harmful incentives.[8]

Meanwhile, the creation of CEP-XXI was the reason I joined the administration in 2020. This center was preceded by the Center for Studies on Production (CEP), established in the 1990s, which had been a training ground for specialists in productive policy during the 2000s. These specialists played an important role in the design and implementation of industrial policy during the 2011–2015 period. After the change of government in 2015, the CEP ceased to exist and was absorbed by the Secretariat of Productive Transformation.

During my time at CEP-XXI, my goal was to create a space for applied research within the public sector that was innovative, had its own "brand," influenced public policy design and public discourse, and thus became a place for training and attracting young talent.[9] Two authors who had greatly influenced my previous experience as an academic specializing in economic development played a significant role in shaping this idea: Peter Evans (1996), with the importance of building professionalized bureaucracies with corporate identity as key to increasing state capacities, and Mariana Mazzucato (2014), with her view that attracting talent around specific missions is crucial for the public sector to do innovative things.

To achieve this goal, I prioritized three lines of action: (a) developing new databases on productive issues to improve decision-making in both the public and private sectors (for example, through comprehensive georeferencing of all the firms in Argentina); (b) conducting detailed monitoring of the productive situation; and (c) carrying out academic research on Argentina's productive structure, covering certain areas of vacancy in the Argentine public debate and of interest to the Ministry's agenda (such as the multiplier effects of different productive sectors, the relationship between the economic cycle and formal employment, university degrees demanded by companies, existing gender gaps within industrial branches, or new global trends in industrial policy and planning, among others).

The experiences of the CCE and CEP-XXI allowed for rapid institutional learning and capacity building throughout 2020 and 2021, without which it would have been impossible to take the next step: the development of a productive plan.

From the genesis to the design of the Plan

Two documents acted as precursors to PAP2030, helping to formalize the Ministry's perspective on the productive agenda. In October 2020, the Ministry introduced a conceptual document.[10] It systematized the major challenges of Argentine development, analyzed key global trends in productive policy, and outlined ten consensuses to steer productive policy in the 21st century. These included the centrality of exports for generating foreign currency, the idea that without macroeconomic stability it is very difficult for productive policy to be effective, and the need to pay attention to new topics in productive policy that had traditionally been overlooked (such as environmental and gender issues). The second report, published in August 2021,[11] was more extensive and programmatic than the previous one, seeking to systematize and give a narrative coherence to the different productive policies being promoted by the Ministry, and to outline some strategic agendas for the following two years, such as the 4.0 paradigm and green production.

PAP2030 began to take shape towards the end of 2021. The first question to be defined was how to structure the Plan, whether to divide it into sectoral chapters as in the past or in another way. Inspired by Mariana Mazzucato's idea of "missions" (2021), we opted for the latter. It seemed much more powerful and innovative to create a narrative of productive policy in service of broadly solving social problems (poverty, inequalities, health, labor informality, environmental damage, national defense, etc.), where collaboration between productive sectors is key. At the same time, we found it stimulating to adapt Mazzucato's approach – originally conceived for developed countries – to the challenges of an economically unstable and developing country like Argentina.

Ultimately, 11 "productive missions" were proposed around different topics (Ministry of Economy 2023). The first, considered a particular priority, was to double exports by 2030 to address the recurring problems of foreign currency shortages, considered one of the main causes of macroeconomic instability. Doubling exports would allow generating foreign currency for the economy to grow by 4% annually (and 30% per capita cumulatively), which in turn was consistent with increasing registered salaried employment in the private sector by a third and reducing poverty by half. To analyze the feasibility of doubling exports, detailed work was carried out on the export potential of 34 productive complexes, identifying a particularly dynamic future in non-renewable natural resources (hydrocarbons and mining, mostly copper and lithium). This involved recognizing the potential of extractive industries in development and debating the idea, quite established in progressive circles, that the exploitation of natural resources is inherently "extractivist" and therefore a curse for development.

The other 10 missions focused on a variety of topics: just environmental transition based on the promotion of clean energy value chains and circular economy; health security through the promotion of health industries; the future of mobility based on the reconfiguration of the automotive industry; modernization of the equipment of the armed forces by enhancing national technological capabilities in defense industries; the adaptation of agriculture to 21st-century challenges such as climate change and new demands for healthy and sustainable food; digitalization of production and promotion of the knowledge economy; development of Argentine mining potential while seeking to reduce environmental impacts and existing socio-environmental conflicts; modernization and formalization of employment in traditional manufacturing industries (such as textiles, footwear, leather, plastics, etc.); generation of productive linkages based on the primary sector; and the development of sustainable tourism through the promotion of nature tourism. In almost all the missions, gender and environmental dimensions were incorporated as cross-cutting factors, something that had not been done in past productive plans. Regarding the latter point, the proliferation of several socio-environmental conflicts between 2019 and 2021 around mining, oil & gas, and agro-industrial projects led to particular attention being paid to the issue and to updating ideas around productive development.

In March 2022, the broad guidelines for the PAP2030 missions were unveiled. To develop detailed technical content for each mission, a working group was established, consisting of teams from CEP-XXI and CCE. This group collaborated with external consultants, each with expertise in the specific areas addressed by the Plan. A common *modus operandi* was defined for the missions: all would have one or two coordinators leading teams of about 5 to 10 people of varying seniority, with regular progress reports. A common structure was also established: all had to contain a diagnosis of the problem at the global and local levels, a survey of existing public policies in other countries and in Argentina, policy guidelines, and quantitative goals for 2030. It was considered a priority to conduct interviews and meetings with members of the private sector (chambers, companies, and unions), public officials, and other specialists to validate diagnoses, policy guidelines, and some of the goals. It was also proposed to hold 30 open federal forums across the country's 24 jurisdictions throughout 2022, to ensure the process was federal and participative.

Finally, in March 2023, 12 comprehensive documents detailing the content of the Plan were published: the 11 missions plus an integrative document for all of them. These documents provided an updated, in-depth, unprecedented, and systematized analysis of the country's main productive issues, including more than 500 policy guidelines and over 200 quantitative goals for 2030 (covering production, employment, exports, productivity, environmental footprint, gender, etc.). This represented a significant effort in systematizing information and establishing baselines.

Obstacles and limitations

While the design of the Plan was successfully completed, there were serious obstacles that significantly limited its transformative potential.

Firstly, the design of PAP2030 was greatly affected by the existing conflicts within the governing coalition. The resignation of Minister Kulfas in June 2022 following a confrontation with the vice president negatively impacted the process, as it opened a period of several months of uncertainty regarding the availability of resources to finance and complete the Plan. This led to the diminishing and attrition of the technical staff. Although Kulfas' successors supported the Plan's continuation, priorities shifted towards containing the growing macroeconomic imbalances and managing the complex political situation of a government that was weak at that stage. In this context, it was decided to design the Plan with a low profile, leading to the suspension of the open federal forums. While dialogues with private sector technicians and officials from other departments continued, they were conducted discreetly. Thus, the Plan was limited in its political validation with society and power actors, such as governors, legislators, businessmen, unions, and high-level officials.

Internal disputes, government fatigue, and repeated cabinet changes throughout 2022 also hindered coordination among various areas of the Executive Branch, such as Productive Development, Macroeconomic Programming, Foreign Affairs, Energy, Health, Labor, Culture, Transport, Science and Technology, Interior, and Environment. The arrival of Sergio Massa to the Ministry of Economy marked a political turning point for the government, managing to appease many of the previous internal disputes. His management brought significant improvements in coordination between technical areas, preventing major contradictions among different sectors of the government where differences in approach might exist.[12] However, valuable time and the opportunity to co-create the missions from the beginning were lost. On a positive note, the high level of coordination achieved with the Ministry of Tourism and Sports and the Ministry of Defense is worth mentioning, with whom the respective missions on sustainable tourism and defense industries were jointly developed. This was partly possible because, at the beginning of the Plan's development, there was a fluid political relationship with the ministers of these areas.

Related to the aforementioned issues, another challenge faced by the Plan was linked to the institutional structure of the government. *Argentina Productiva 2030* wasn't the sole strategic initiative under Alberto Fernández's administration. Similar efforts were undertaken by the Ministry of Science and Technology with its scientific-technological plan (also mission-based in the Mazzucato style, albeit with variations), the Ministry of Public Works with its infrastructure plan, and the Ministry of Environment and Sustainable Development with its climate change adaptation and mitigation plan. Although there was communication among representatives of these various initiatives, the absence of a centralized entity – similar to CONADE's past role – to unify and lead efforts for consistency, coordination, and integration in government planning was a notable shortfall.

An additional point is that the process of constructing the Plan did not allow for the consolidation of a stable, professionalized bureaucracy within the Ministry. Many of the technical teams that worked on PAP2030 moved to other jobs as the design phase neared completion or after the final documents were presented in 2023. This made it difficult for the Ministry to retain in-house the capabilities that had been built. The main reason for the high mobility of technical staff was the low prospect of stability in a tumultuous government with frequent cabinet changes, nearing the end of its term, where employment contracts were also temporary. In addition, many of the specialists who participated in the Plan's design were external consultants with other jobs that guaranteed a much higher income than working full-time in the Argentine state.

The bureaucratic fragility and high mobility of specialized staff are structural characteristics of the Argentine state. For this reason, shortly after the design of PAP2030 began, the creation of a decentralized agency to establish an institutional structure similar to CONADE was considered. The goal was to strengthen, in the long term, the state capacities developed through the CCE, CEP-XXI, and PAP2030. A decree was drafted to establish this new structure; however, ministerial changes that began shortly after the initiative was launched caused this idea to lose momentum.

Although the Plan's design process required the prior construction of technical capacities, there were also some limitations that could have been resolved with a more extended period of institutional learning. For example, the Plan formulated multiple policy guidelines with a certain level of detail, but it did not reach the final stage of drafting and writing legislation or new programs. Another limitation was the lack of prioritization, hierarchization, sequencing over time, costing, and requirements for the necessary capacities to implement the mentioned policy guidelines. Therefore, in certain aspects, PAP2030 can be considered more as a comprehensive and modern strategy for productive development in Argentina than as a concrete action plan.

Final considerations: Lessons learned

For those of us coming from academia, transitioning to public management is a challenge where knowledge and beliefs are often reformulated. This happens because the design and implementation of public policies are often quite different from what one imagines based on literature, and also because public management exposes us to a myriad of practical lessons impossible to acquire through academic research. In this sense, a primary lesson from the PAP2030 experience is that while the best literature on planning and productive policy can serve as a general guide for action, the practical knowledge of how the state operates daily – in aspects such as financial resource availability, the actual capabilities of the people who run it, building trust, negotiating with other officials and the private sector, power relations between different political groups, etc. – is a crucial complement to designing and implementing effective policies.

But the PAP2030 experience offers several other important lessons. Firstly, although planning in an unstable country can be frustrating, this process can generate valuable legacies, as even the attempt to plan builds capacities and knowledge that endure over time. In the case of Argentina, a comprehensive, updated, and unprecedented diagnosis of the country's productive issues was achieved, along with potential solutions from a public policy perspective and realistic endpoints that can be reached in the not-so-distant future. Planning, even if not fully realized as imagined, also provides the opportunity to set future agendas and contribute solid foundations for debate, improving public policies and discourse on the country's developmental future. Another valuable legacy of attempting to plan is the formation of specialized technical staff, who are then better equipped to conceive and manage productive policies.

An important lesson from PAP2030 is that development planning must be coordinated at the highest level of government, through an agency acting as a *primus inter pares*, generating greater articulation and coherence among the different state departments that often plan public policies without adequate coordination. This would make planning stronger in its design and execution. Another lesson is the crucial importance of political leadership (including high-ranking officials, legislators, governors, business chambers, and unions, among others) demanding, debating, and getting involved in the content of a plan. Without this commitment, there is a risk that the roadmap created is perceived more as a technical-academic document, or worse, as the plan of a particular minister rather than as an effective tool for transforming reality.

Finally, despite all the limitations exposed, and with the certainty that PAP2030 will not continue its course following the radical shift in government orientation after the 2023 elections, we believe the balance is very positive. For the first time in a long while, a productive roadmap was conceived from a "progressive developmentalist" perspective that is modern, comprehensive, and realistic for Argentine development in the 21st century. It revisits many points of traditional productive policy (the importance of structural change, territorial development, or generating employment and foreign currency) while incorporating new agendas (such as environmental and gender issues) and acknowledging that Argentina's productive reality is very different from the past, in terms of which sectors are most capable of driving such structural change.[13] Additionally, there was a great effort to apply in a country like Argentina ideas currently in vogue in developed countries, such as Mazzucato's "missions" or green development. Moreover, beyond the chronic rotation of technical staff, I believe that the experience of CEP-XXI and CCE first, and PAP2030 later, has built a critical mass of professionals with knowledge of productive development who are now in a much better position to think about the country's productive future than a few years ago. For those of us who believe that productive development is one of the major causes of economic and social development, that is an encouraging perspective.

Endnotes

1 For instance, between the end of 2015 and the end of 2019, economic activity decreased by 3.9%, the number of formal companies in the economy fell by 5%, real wages in the formal private sector dropped by 15%, and income poverty rose from 27% to 35% (Schteingart and Tavosnanska 2022).

2 According to data from the Ministry of Economy, public expenditure related with "Industry" (which encompasses a large part of the productive development policies) increased from 0.10% of GDP in 2018–2019 to 0.44% in 2020–2021, the highest figure since the early 1980s.

3 As an example, according to Argentina's automotive makers association (ADEFA), in 2022 automotive production was 71% higher than in 2019. In terms of prices, according to the Consumer Price Index (CPI) from INDEC, between 2019 and 2022, vehicle prices rose 46% above the general level. In clothing, this increase was 52%; in footwear, it was 29%.

4 For instance, between August 2022 and October 2023, industrial production was on average 2.6% lower than in June 2022, the month marking the onset of cabinet changes.

5 Additionally, concern for macroeconomic issues occupied much of the focus, yet even in this aspect, Fernández's government failed to develop a clear and agreed-upon strategy among its various factions.

6 For instance, the work of the CCE led to the draft legislation for the promotion of medicinal cannabis and industrial hemp, the reform of the capital goods promotion regime, and the initial design of an initiative to increase the number of computer programmers, known as "Argentina Programa."

7 For example, Jorge Katz, a highly renowned academic in Latin America, initially presided over the CCE.

8 Within such regimes, the Tierra del Fuego regime and the capital goods regime are noteworthy examples. The former, being the costliest of all Argentine industrial policies and set to expire in 2023, was initially targeted for reform. However, due to pressure from beneficiary firms and the provincial government, it was ultimately extended for at least another 15 years in 2021. A significant development was the creation of a fund where beneficiary companies allocate a portion of their turnover to diversify the economic matrix of Tierra del Fuego. Meanwhile, the latter regime underwent reform in 2022 in agreement with the industrialists in the capital goods sector.

9 Almost the entire staff of CEP-XXI (which exceeded 30 people by 2022) was under 40 years old.

10 "El desarrollo productivo en la Argentina pospandemia. Hacia una visión compartida sobre el desarrollo económico de largo plazo y el cambio estructural" (Productive development in post-pandemic Argentina: towards a shared vision on long-term economic development and structural change).

11 "Estrategia y acciones para el desarrollo productivo, 2020–2023" (Strategy and actions for productive development, 2020–2023).

12 For instance, in coordinating the Plan, we aimed to validate all documents with other relevant departments of the national government (e.g., the health security mission with teams from the Ministry of Health, the just environmental transition with the energy department, etc.). However, validating documents is not the same as co-creating them, which requires a much higher level of coordination.

13 For example, in the past, sectors like mining and unconventional hydrocarbons weren't seen as particularly strategic, as the global energy transition and the Vaca Muerta deposit were not yet realities.

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Book reviews

Paula Jarzabkowski, Konstantinos Chalkias, Eugenia Cacciatori, and Rebecca Bednarek · 2023

Disaster Insurance Reimagined: Protection in a Time of Increasing Risk.

Oxford: Oxford University Press

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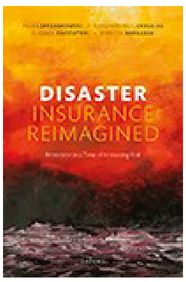

How can a risk that is uninsurable be insured? Disaster (or catastrophe) insurance offers protection for losses due to climate-related events such as wildfires, floods, or earthquakes and to terrorist attacks or pandemics. However, insurance for such risks might not be available or not affordable for three reasons: The frequency of events has increased and losses occur too often, or the magnitude of losses comes as an unforeseen shock. In both of these cases, insurance coverage might become unavailable or unaffordable. In the third, insurance may not be available in the first place if the private sector has no incentive to offer insurance provision due to low demand. As a result, a lack of private sector insurance leads to a "protection gap" – a difference between insured and economic losses. The protection gap has widened in recent decades largely due to climate change (Swiss Re 2018).

Given the lack of economic sociology research on the insurance sector (Vargha 2015) – recent work on flood insurance was reviewed in an earlier issue of this publication (Elliott 2021) – *Disaster Insurance Reimagined* by Paula Jarzabkowski, Konstantinos Chalkias, Eugenia Cacciatori, and Rebecca Bednarek is both timely and necessary. It studies a possible remedy to the problem of insurability in the shape of "Protection Gap Entities" (PGEs) and can be read against the backdrop of the extreme climate-risk exposure of Australia, where some of the authors are based. PGEs are a not-for-profit insurance scheme set up by government legislation in partnership with the insurance industry and possibly other stakeholders. Such PGEs either move risks to the balance sheet of a PGE (and possibly the government) or distribute the risk more widely by making low-risk policyholders pay a higher premium. The authors study 17 PGEs in 49 countries between 2016 and 2020 and interview stakeholders from the insurance industry, the government, and intergovernmental organizations.

The book is organized around the following three questions: (1) What knowledge about a specific risk exists? (2) Who controls the insurance provision? (3) Who bears the responsibility for protection? PGEs originate when there is either too much or too little knowledge about a particular risk. A lack of knowledge about the occurrence of terrorism, for instance, can prevent the pricing of a risk. In contrast, if frequent flooding of a particular area is a near certainty, property insurance is either unaffordable or unavailable. A PGE could respond by ignoring too detailed knowledge about a risk or the lack thereof. In addition, a PGE could develop new knowledge about a specific risk and make marketization of the risk possible, as an example from the Caribbean in the book shows.

Although setting up a PGE in response to an uninsurable risk is always due to government legislation, the degree of governmental control of insurance provision and the responsibility for protection can vary tremendously. In California, the private sector was required to offer earthquake insurance as part of residential property insurance. As a result, the insurance industry withdrew most residential property insurance for homeowners. In order to revive the property insurance market, a PGE was set up to provide earthquake insurance to anyone who wants to purchase it at a risk-reflective price. Hence earthquake insurance is again available, but it is not necessarily affordable. Earthquake protection remains an individual responsibility and all other residential property insurance is again offered by the market. By contrast, in Spain, a government-owned insurer offers insurance protection for all natural disasters. Regardless of individual risk, every individual or business pays a flat premium. As a result, there is very little natural disaster insurance offered by the market.

The organizing principle of the book around the three outlined dimensions – knowledge about risk, control of insurance provision, and individual or collective responsibility – helps to show that PGE is a very broad concept and very different arrangements are subsumed under the term. The remainder of the book discusses whether PGEs should not only address the protection gap but also work to improve physical resilience, such as with better buildings or flood prevention. The authors conclude by advocating a greater future role of PGEs in disaster insurance.

Overall, the book offers an accessible introduction to PGEs and outlines both the theoretical underpinnings of insurability and practical issues that PGEs have to deal with. It illustrates very well how the term PGE refers to very different entities in terms of market or government control, for instance, but it does not discuss in detail why such entities are found in some places (or times) but not in others, or why setups differ so much across countries. However, the book offers an important and concise synthesis of case studies for economic sociologists and beyond, which combines both empirical observations of selected PGEs and theory about how disaster insurance works and how PGEs change the established risk transfer process. This allows a better understanding of both the current challenges to (re-)insurance from climate change and terrorism and what a possible reduction in the protection gap could look like.

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Till Hilmar · 2023

Deserved: Economic Memories after the Fall of the Iron Curtain

New York: Columbia University Press

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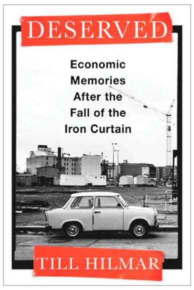

Hilmar's *Deserved* delves into economic "deservingness" during the post-1989 transformation in Central and Eastern Europe, offering a unique look into personal moral narratives crafted during the transition to capitalism in East Germany and the Czech Republic. Relying on interviews with 67 engineers and healthcare workers, Hilmar examines how individuals perceive and remember the major economic shifts of the era.

The book starts by contrasting the implementation of shock therapy in East Germany and the Czech Republic. East Germany saw industrial collapse and high unemployment, while the Czech Republic kept industry stable but wages stagnant. The German approach, perceived as patronizing, contrasted with the Czech focus on resilience. These narratives reshaped identities, with East Germans feeling marginalized by their elites and Czechs finding more hope amid the turmoil.

The analysis of shock therapy narratives serves as the macro context of the "moral framework" used to interpret the interview material reflecting on these changes. This moral framework concept centers on two themes: the link between disruptive events and justice, where people judge what's deserved based on past actions amid structural changes, and the impact of these disruptions on social relations. Hilmar's analysis uncovers a stark contradiction between the transition's hardships and the neoliberal mindset interviewees use to interpret these shifts.

Hilmar finds an individualized cultural language that "translates economic pain into a problem of moral deservingness" (p. 2). He shows that many imbue economic turbulence with moral judgments about deservingness based on effort, skill, and resilience. These assessments incorporate personal experiences in cultural archetypes, creating "economic memories." Such recollections bend toward meritocratic and individualistic explanations despite structural forces shaping opportunities.

Individuals recalling post-1989 work disruptions – like downsizing, commodification, and job loss – tend to frame these changes as stories of "success" or "endurance." Echoing insights from research on postsocialism, Hilmar finds that even if his interviewees are critical of the market transition, they tend to attribute problems to political, not market, failures. Hilmar highlights the role of the notion of "productive labor" as a holdover from the state-socialist era, showing how skills and experiences relate to social recognition and moral self-worth. This underscores a quest for a "deserving self," where legitimacy and respect are sought for personal contributions despite structural challenges.

Chapter three delves into these "deservingness accounts," where narratives assess economic outcomes based on past actions, using merit, need, or equality to justify the fairness of outcomes. The chapter highlights some differences: engineers provide more individualized stories than healthcare workers, and Czechs lean more toward personal responsibility than East Germans. Nonetheless, meritocratic reasoning prevails in most cases.

The last empirical chapter examines the impact of societal changes on family and friendship ties. Hilmar highlights how interviewees redefine their self-image by distancing from those conflicting with their sense of economic legitimacy. The chapter again underscores a widespread desire for a "deserving self." People seek recognition and validation for their post-1989 outcomes and relationships, even if this entails breaking ties with people whose upward or downward mobility contradicts the interviewees' moral codes.

Finally, the epilogue briefly links these moral narratives of deservingness to the rise of right-wing populism in Eastern Europe. It argues that populists tap into desires for recognition, restoring economic pride as part of their illiberal agenda.

The book's main contributions are twofold. First, its moral framework theory is a novel concept for understanding perceptions of economic changes, linking cultural justice ideas with economic dynamics. Hilmar has the analytical and conceptual tools to position his research as a generalist contribution, challenging the dismissal of Eastern European studies from a Western perspective. Second, Hilmar shows how skills, merit, and morality shape memories of economic turmoil, foregrounding individual moral narratives over structural factors. The centrality of individual moral narratives offers new insights into the social roots of neoliberalism's resilience in the region.

Despite these strengths, tension lurks between the book's analytical framework and the processes analyzed. One could quibble about the need to invent a new conceptual framework (the "moral framework") when there are tried and tested concepts available, such as "moral economy" or "implicit social contract." But this is not my main concern.

The bigger problem with the analytical approach is structural in nature. While both the introduction and the epilogue make it clear that the author is fully aware of the painful effects of social dislocations during the transition, his choice to focus on individual moral narratives analyzed from a cultural sociology perspective pushes these very dislocations to the background. Cultural sociology tends to overlook structural political economy, leaving class dislocations unexplored. Webs of meaning and webs of power are two sides of the same coin, but the book concentrates on the former at the latter's expense. A relational and dynamic class analysis – some would call this cultural political economy – could connect these symbolic and material fields more coherently.

The author's focus on professions relatively shielded from the most violent disruptions further skews the narrative toward individualistic meritocracy, overlooking the economic discontent of others. Additionally, as the author also notes, the interviewees' young age also reinforces this skew, as the middle-aged generation that lost the most during the transition is left out of the sample. Including workers from sectors heavily impacted by privatization, precarity, and disruptive competition would provide a more comprehensive picture. How were people at the lower end of the class structure affected by the transition, and how did they make sense of these experiences? How did the deliberate weakening of collective actors representing labor interests contribute to the demise of solidaristic narratives? These questions about class identity and its conspicuous absence in Eastern Europe could also inform the concluding discussions about the societal roots of right-wing populism in the region.

Despite its limitations, *Deserved* is a major achievement in studying economic crises through cultural sociology, blending memory, inequality, and network studies. It significantly advances our understanding of the lived experience of economic transformations. The book also helps to "deprovincialize the study of postsocialism" (p. 16) by providing broad disciplinary insights. Highlighting complex desires for recognition in tumultuous times, *Deserved* offers a model of economic-sociological analysis. The book is essential reading for those studying societal changes and their profound effects on consciousness.

Cathie Jo Martin · 2023

Education for All? Literature, Culture and Education Development in Britain and Denmark.

Cambridge: Cambridge University Press

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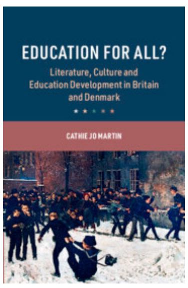

Cathie Jo Martin's recent book, continuing the efforts for cultural analysis of policymaking, delves into the foundations of education systems. Martin poses the question of why some countries create school systems that serve everybody, while others develop systems that are intended primarily for elites. Many scholars have examined the dynamics of change and continuity within educational systems (Ansell 2010), yet Martin presents a novel cultural perspective to explain the variances in educational and other institutional systems. Picking up on two of the exemplary cases of coordinated/social democratic and liberal market models in the making of varieties of capitalism (Hall and Soskice 2001), *Education for All?* analyzes in particular British and Danish education reforms in the 19th and early 20th centuries. The book presents the emergence of education systems in Denmark and Britain, shedding light on how fiction writers significantly influenced the development of educational reforms. Martin goes beyond standard text-analytical methods, employing a comprehensive approach that includes a blend of computational analysis and in-depth reading of a wide array of novels. This extensive literary exploration allows her to provide detailed accounts of reformers, their motivations, and the cultural contexts that shaped actions and institutions. The analysis offers a fresh narrative for sociological institutionalism and challenges the conventional story of institutional development. It also contributes to the policymaking strategies of elites from a political scientist's perspective. Furthermore, it has a unique methodology based on the investigation of the literary field through historical periods.

Education for All? comprises six chapters, four of which include empirical analysis. The first chapter stands out for its critical comparison between different components of education systems and their practical implications. Accordingly, the book identifies five main areas across which European education systems evolved distinctly in the 19th and early 20th centuries: public versus private roles in education, accessibility for all social classes, variety in educational programs, teaching methods, and administrative oversight. In 1870, the British education system, marked by significant church involvement, led to class discrepancies and low worker-class enrollment. It lacked vocational tracks and favored rote learning, with contested state roles and centralized testing for quality control. In contrast, Denmark's system began in 1814 and was established with public consensus and was notably inclusive. It offered a multi-track secondary system with strong vocational education and preferred the philanthropinist method, focusing on experiential learning. The state's role was widely accepted, with a decentralized approach and quality ensured through teacher training rather than standardized testing.

Expanding the scope beyond education, the book's second chapter introduces a novel theoretical perspective on the role of authors in long-term institutional changes. The concept of authors as architects of "cultural touchstones" is central to the argument, building on cultural constraint theory to explain how literary narratives and discourses have historically shaped and cemented institutional paths. This analysis aligns with recent literature emphasizing the importance of cultural coupling in policymaking (Swidler 1986). The book posits that authors, wielding their cultural power through literature, can put neglected societal issues on the political agenda even if public discourse is limited. Informingly, Martin convincingly leverages the relative autonomy of the literary field to reveal how elites' ideas influence education reforms cross-nationally. This approach is distinctly culturalist, placing authors and novels at the forefront as reformers and key influencers in shaping institutional configurations. By examining the interplay between literary production and political reform, Martin uncovers the often understated yet powerful role that cultural narratives play in influencing values and expectations, which in turn inform policy decisions and institutional formations: "Cultural touchstones provide a somewhat autonomous channel for institutional continuities that is separate from the path dependencies associated with institutional and policy legacies. Unlike policy legacies that build on lessons from the past, cultural touchstones influence our mental frames each time we engage in political negotiation" (p. 48). These chapters not only provide a historical context but also reveal the persistent cultural assumptions that underpin these educational systems, which continue to create the varied landscapes of welfare capitalism up to the present day.

In the third chapter, the historical analysis of the diverse paths of development of mass schooling systems in Britain and Denmark provides a rich context for understanding contemporary educational practices. The author's detailed exploration of the sociopolitical circumstances of the late 18th and early 19th centuries reveals the complexities and challenges that shaped the early educational reforms in these countries. Continuing the historical journey in the fourth chapter, the contrasting approaches of Britain's public education system and Denmark's private school movement for non-elites are well-articulated, offering valuable lessons on the diversity of educational reform strategies. In the fifth chapter, focusing on the turn of the 20th century, Martin delves into the creation of secondary education systems. The final chapter offers insightful reflections on the ongoing influence of cultural values in the struggles to balance efficiency and equality in contemporary education reforms. These struggles can be identified along with the "huge" projects of "nation-building, industrialization, and democratization" (p. 10).

As a first discussion point, the author mentions the deep interconnection between educational and land reforms, particularly in how these reforms were perceived as key components in enhancing the capabilities of peasants (p. 83). While countries like Britain and Denmark both implemented land reforms with a more consensus-driven approach, including enclosure acts aimed at boosting agricultural efficiency, Denmark uniquely recognized the crucial role of peasant education in this economic endeavor. This perspective suggests a structural parallel between educational initiatives and land reforms, hinting at broader, potentially less visible, redistributive projects. This intersection raises a significant question: Do such reform strategies substitute and complement each other in broader social and economic policy frameworks? Furthermore, cultural relations among such reforms should be observed in the structure of ideas in different fields of society. Then, this book's way of thinking can be promising in answering such long-run questions related to political economy literature from a cultural perspective.

Second, while current surveys and polls provide insight into modern views, understanding historical public opinion requires different methodologies, as direct data from the past are limited. From a methodological point of view, the book explores historical public opinions on education policy through cultural lenses, recognizing the co-occurrence and reciprocal influence of cultural values, interest groups, institutions, and religious beliefs within the literary scene. The author defines "cultural constraint" as a unique set of cultural elements, such as symbols, stories, ways of judging things, inherent to each country at a fundamental level. These elements are present in the country's cultural products and are persistent over time. Building on this concept, the author investigates the absence of certain cultural aspects in the two countries to understand the workings of cultural constraints. Theoretically, coupling nation-level analysis with "cultural constraint" arguments seems like a red flag (p. 58), given potential political undertones. The book however aims at overcoming this challenge by concentrating on the comparative elements of cultural belief sets as expressed by the idea of core authors in each country.

Third, the book illuminates how various components of culture are distinct from one another. It addresses the sociological debate on institutionalization, questioning whether this concept signifies a structured organization of schemas or merely represents a collection of diverse, subjective opinions lacking an organized value structure. The book argues for more nuanced explanations of the long-term and enduring impacts of culture on context, resonating with the views of scholars who study the "persistence of continuities" (p. 50) beyond just formal institutions' influences. The book proposes that narratives can be seen as relatively stable structures influencing various educational ideas in each nation's literary field. In Denmark, since education is society, there is a consensus-driven approach in the elites' belief structure, which in turn created an environment that emphasizes more specifically skilled laborers. In Britain, since education is individual, there is a lack of consensus and more conflict between elites, which has resulted in an education system that produces less skilled workers and peasants. This sort of analysis can be very fruitful in analyzing co-usage of value-like concepts for policies among very different social groups, such as across the partisan lines of left and right wings or across nations.

Notably, *Education for All?* challenges the generally accepted view that emphasizes the development of welfare capitalism post–World War II, redefining the social democratic model. The book focuses on society's central role and on enabling the left to regain cultural influence from the right. Traditionally linked to the pursuit of economic equality, a key driver in the development of Nordic welfare states, a deep-rooted societal commitment preceded the quest for equality, the book argues. Yet its emphasis on cultural narratives and elite consensus in the development of education systems may inadvertently underplay the critical role of political parties, traditionally seen as pivotal in the advancement of welfare state policies, including education. The author's focus on the cultural and elite dimensions as the drivers of significant change might overshadow the tangible impact that movements and parties have had on policymaking, social rights, and educational reforms. This oversight could lead to an underestimation of the political dynamics that social democratic parties historically contributed to shaping inclusive education systems, particularly in the context of broader welfare state development projects. Moreover, this may neglect the crucial role of strategic alliances between workers and rural peasants within electoral spaces and parliaments. Such collaborations have been pivotal in shaping legislative outcomes and social agendas. Investigating the recurring patterns in the development of the welfare state, especially in the areas of parliament, political parties, and legislation, can be crucial in defining the various explanations. Furthermore, just as the conception of education is relative, so too do the conceptions of society and the individual vary across different cases. A shift in the definition of society or the individual, even without a change in their relative significance, is likely to be mirrored in the way educational policies and practices are perceived and shaped. In the 1935 Danish elections, the relatively *skilled* workers and peasants voted for the National Socialist Worker's Party of Denmark, which may showcase the lack of democratic tendencies in those cultural influences assumed by the author. The author's work also notes the resurgence of Denmark's radical right (p. 223), which seems to be a recurring element of the country's cultural trope, as established in Denmark's historical narratives (p. 47). Illustratively, if a culture like Denmark's drops its nonviolent beliefs related to society narrative from its cultural trope, it would still be constraining. Logically, whether the relative centrality of society within the cultural tropes over the individual enables a constant social solidarity remains an empirical question that is neglected by the book.

Overall, Martin's work insightfully dissects educational systems, elite dynamics, and the interplay of culture and policy. The book's relevance and implications for future research and policy formulation are noteworthy, offering a cross-national perspective on educational reform in a long-term perspective.

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