RECENT SCHOLARSHIP ON INDUSTRIAL GROWTH IN LATIN AMERICA

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ESSAYS ON INDUSTRIALIZATION IN COLOMBIA. Edited by ALBERT BERRY. (Tempe: Center for Latin American Studies, Arizona State University, 1983. Pp. 329. $37.95.)

THE STRUCTURE OF WAGES IN LATIN AMERICAN MANUFACTURING INDUSTRIES. By JORGE SALAZAR-CARRILLO. (Gainesville: University Presses of Florida, 1982. Pp. 173. $14.00.)

MANUFACTURING IN THE BACKYARD: CASE STUDIES ON ACCUMULATION AND EMPLOYMENT IN SMALL-SCALE BRAZILIAN INDUSTRY. By HUBERT SCHMITZ. (Totowa, N.J.: Allanheld, Osmun, 1982. Pp. 232. $26.50.)

THE POLITICAL ECONOMY OF THE LATIN AMERICAN MOTOR VEHICLE INDUSTRY. Edited by RICH KRONISH and KENNETH S. MERICLE. (Cambridge, Mass.: MIT Press, 1984. Pp. 314. $30.00.)

SECTORAL CLASH AND INDUSTRIALIZATION IN LATIN AMERICA. By DALE STORY. Maxwell School of Latin American Studies Series, no. 2. (Syracuse: Foreign and Comparative Studies Program, Maxwell School, Syracuse University, 1981. Pp. 96. $6.00.)

BRAZIL'S STATE-OWNED ENTERPRISES: A CASE STUDY OF THE STATE AS ENTREPRENEUR. By THOMAS J. TREBAT. (New York: Cambridge University Press, 1983. Pp. 294. $42.50.)

TECHNOLOGY AND COMPETITION IN THE BRAZILIAN COMPUTER INDUSTRY. By PAULO BASTOS TIGRE. (New York: St. Martin's Press, 1983. Pp. 186. $30.00.)

INDUSTRIALIZATION AND REGIONAL DEVELOPMENT IN PERU. By H. CABIESES, D. KRUIJT, R. LIZARRAGA, and M. VELLINGA. (Amsterdam: Center for Latin American Research and Documentation, 1982. Pp. 171.)

Seventy or so years ago, the great English economist Alfred Marshall defined the discipline of economics as "that which economists do" (or something to that effect). Although probably said in jest, the comment does indicate the difficulty of defining with precision even eco-

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nomics, which among social science disciplines is rather smug about its coherence. Defining economics has become even more difficult, however, because during the last two decades, a significant broadening of the questions and methods deemed legitimate by the profession has occurred, and the range of what economists do has become considerably more interesting. The methodological pluralism of eight recent English-language books on Latin American industrial growth illustrates this point nicely.

Essays on Industrialization in Colombia, edited by Albert Berry, is a collection of essays on various facets of Colombian industrial growth, and according to the book's definition of the scholarly enterprise and its manner of proceeding, it could easily have been written twenty or thirty years ago. Six of the eight essays were indeed written in the early 1970s, and the chronology and sources of only Albert Berry's introductory and closing essays have been brought up to the late 1970s. The seven contributors were all connected with Yale University at the time they wrote the essays, and five of the six essays are reduced forms of dissertations. At least one of them has already been published (in Spanish), and the substance of Carlos Díaz Alejandro's essay has appeared in his *Foreign Trade Regimes and Economic Development: Colombia* (1976).

The approach taken by most of the authors is the "sources of economic growth," which employs variants of Cobb-Douglas production functions and is best known through the works of Solow (1956, 1957) and Denison (1962). In crude terms, the idea is to find out how much growth in output or labor productivity can be statistically attributed to changes in the quantity of labor and capital inputs or in their proportions, and then try to explain the unexplained residuals by looking at other phenomena. In Berry's first essay, a lengthy (ninety-two-page) exploration using historical time-series data on Colombian growth, he concludes that "most of the increase in labor productivity since 1925 has been due neither to increases in the capital/labor ratio (probably no more than a quarter) nor to upgrading labor skills, but to other factors of which the chief is presumably technological improvements within industries" (p. 73). Elsewhere he adds "improved organization, public investment, and economies of scale" as likely candidates (p. 15).

This practice is not unusual. After extensive data presentation and statistical tests, frequently accompanied by strong declarations about scientific method and empirical evidence, scholars using this procedure often "find" that the principal causes of growth are influences for which there is no direct evidence. These conclusions are tenuously inferred from proxy variables, but the process is more a matter of deducing conclusions from the tenets of neoclassical economic theory.[1]

The other essays in this volume explore sources of growth during the 1930s, the effects of learning on labor productivity in the metal products branch, the association between plant scale and labor productivity, and the contribution of trade controls to economic concentration. Berry concludes with a very capable summary.

Essays on Industrialization in Colombia presents some useful time-series data, and the techniques are occasionally imaginative. The book, however, tells us little about the distinctive character of the Colombian economy. The data tend to be highly aggregated, and even when they are broken down by sector or branch, these sectors and branches are treated in isolation. It is therefore extremely difficult to appreciate interactions among various branches of industry or among industry, agriculture, and service activities. Government is treated as an apolitical abstraction, and workers appear as labor inputs.[2] Finally, it is striking that in a study about Colombia, there is no systematic investigation, indeed hardly a mention, of the implications of region. The importance of region in the Colombian economy is indicated by Jorge Salazar-Carrillo in *The Structure of Wages in Latin American Manufacturing Industries*, when he reports that interregional wage differences "were found to be over twice the size of wage differences among industries, even though they referred only to the largest cities in Colombia" (p. 145, n.5).

The Structure of Wages was translated from a 1979 publication by the Programa de Estudios Conjuntos sobre Integración Económica Latinoamericana (ECIEL) in Buenos Aires. It is the second example of a work in which the questions asked and methods used are consistent with U.S. economists' professional norms of thirty years ago. Salazar-Carrillo has compiled cross-section wage data for twenty clerical and production occupations in nine branches of manufacturing, with particular attention to metallurgy, textiles, and pharmaceuticals, and to the largest and most efficient firms in each category. The data come from surveys and interviews that were conducted in the eleven nations belonging to the Latin American Free Trade Area (LAFTA). On these 1966 data he does the real work, although some 1970 and 1973 averages are discussed toward the end of the book.

The project is to compare wage structures among the eleven nations, controlling for industry, firm size, position or occupation, education, experience, and job content. Wages are compared by using both official exchange rates and by constructing purchasing power parity indices. In two chapters and an appendix, three other authors study the national wage structures of Colombia, Venezuela, Uruguay, and Mexico.

The Structure of Wages in Latin American Manufacturing Industries is a model of careful exposition, explicit concern for data reliability, and meticulous descriptions of statistical techniques employed. The reader is brought along at each step of data collection, organization, and statistical manipulation. Such clarity is truly admirable. The scope of Salazar-Carrillo's inquiry, however, is similar to that of the essays in Berry's volume. He uses proxy variables for labor or job average productivities (which, of course, are not marginal productivities), and he attributes the large amount of wage variation not explained by these variables to systematic "inter-country differences," represented by dummy variables, or to "market imperfections."[3]

The data are almost twenty years old, and a good part of Salazar-Carrillo's reasons for presenting the work is to provide a model for other studies that he believes are needed. Again, this quality is one frequently found in works informed by neoclassical economics: concern with method overwhelms the intrinsic importance of the materials and issues being studied and infuses the whole endeavor with the sense that it is merely an exercise.

This limitation certainly is not true of Hubert Schmitz's *Manufacturing in the Backyard: Case Studies on Accumulation and Employment in Small-Scale Brazilian Industry*, whose approach is quite different from that of the neoclassical tradition. Schmitz's book is definitely empirical, but while he presents tables of national and sectoral figures, he has gathered his most important information through direct observation and personal interviews with owners, workers, suppliers, and customers of small urban enterprises (those having fewer than ten workers). In this approach, Schmitz tends toward economic anthropology, and although his approach is directed toward more conventional questions of entrepreneurship, earnings, market relations, and economic policy rather than toward questions of culture, he presents a much more textured description of an aspect of Brazilian economic life than is available through tables on quantities and prices of inputs and outputs and their ratios. Schmitz is methodologically self-conscious, and he critically compares the implications of various research strategies at the end of his book.

Schmitz addresses the viability and growth constraints of small urban enterprises and the implications of these constraints for employment and income conditions, especially compared with those of larger enterprises. The first section of the book reviews the literature and proposes hypotheses, the second is devoted to Brazilian case studies, and the concluding section draws the first two together into a set of "lessons." This organization leads to some fragmentation and repetition, especially because the general directions of the author's conclusions are obvious from the very beginning.

The case studies focus on three branches of the textile industry, each located in one of three different cities: knitting and clothing firms in Petropolis, in the state of Rio de Janeiro; hammock-making firms in Fortaleza, the capital of the northeastern state of Ceará; and weaving firms in Americana, in the state of São Paulo. Schmitz's sample is made up of five to twenty small firms and several large firms in each branch. Many of the firms in the first two branches are unregistered, clandestine operations, a fact that complicated fieldwork. To give meaning to his case studies, Schmitz firmly establishes a solid context for them by describing recent economic growth in Brazil, the role of the textile industry in that growth, and the place of the selected branches in the textile industry.

One of Schmitz's most significant findings, and one he repeatedly stresses, is that owners of small enterprises are usually skilled workers who have quit factory jobs and set up their own firms for higher earnings and greater independence. Unlike street vendors, these entrepreneurs are not economically marginal individuals who are trying to get by until they can secure factory jobs; they are instead inventive, technically and organizationally skilled workers earning more than their counterparts in the respective branch factories. While the income comparison is blurred by the frequent use of unpaid family workers in small enterprises and by Schmitz's apparent inattention to fringe benefits in the comparison, the point seems to hold. (He is not so clear about small firms' employees, who better fit the conventional wisdom about small enterprise personnel, although he raises some suggestive questions even in this regard.) The owners of small enterprises appear to be outstanding entrepreneurs and to have "every earmark of the successful entrepreneur, *except success*" (emphasis in the original, quoted on p. 11).

Schmitz argues that factors external to the enterprises are the principal reasons for their lack of success. Schmitz consistently (and to my mind, dubiously) defines *success* as growth. He identifies and discusses relationships with larger firms—including suppliers of materials and (often secondhand) machinery and subcontracting arrangements, technological discontinuities in some particular instances, and the lack of political leverage that results in policies of both the Brazilian state and international agencies that discriminate against small firms.

Schmitz is convinced that the supposed lack of entrepreneurship and management skills in small firms is an expedient characterization that benefits larger, politically influential firms. While he does not say so directly, it is clear that he believes that another attraction of such patronizing diagnoses is that they are also ideologically comfortable and politically safe for scholars from industrialized nations.

The Political Economy of the Latin American Motor Vehicle Industry, edited by Rich Kronish and Kenneth Mericle, represents a third distinct approach to the study of Latin American industrialization. I suppose neo-Marxism is the appropriate label, with emphasis on the "neo." There are no assertions about laws of capitalist development, neither the labor theory of value nor the dialectic is evident, and there are no general discussions of method, even to attack apologist scholarship. The authors are convinced that economic phenomena need to be studied as part of evolving social and political orders and that class relationships are one of the key sources of change; these are the reasons that I consider the work to be of the neo-Marxist school.[4] The result is an extremely valuable series of studies of the Latin American motor vehicle industry that are framed with sufficient breadth and rigor to incorporate systematically the economic, social, and political facets of national lives into coherent arguments. This collection is an excellent case study of the characteristics of "late development" (as treated, for instance, by Hewlett and Weinert 1982).

The Political Economy of the Latin American Motor Vehicle Industry explores "what occurs when the premier product of industrial society is produced and consumed in a context of dependency and underdevelopment" (p. ix). The first two articles discuss the motor vehicle industry in Brazil and Argentina; the third article deals with export promotion; the next three deal with labor relations in Brazil, Argentina, and Mexico; the seventh and eighth explore bargaining relations of motor vehicle multinational corporations (MNCs) with Mexico and with Colombia; and the last is the editors' overview of the Latin American motor vehicle industry in the twentieth century. Only the seventh essay has been published elsewhere (in Bennett and Sharp 1979).

The essays are packed with data; the table and graphs are easily interpreted, clearly related to the arguments, and usable by others for their own work. This usefulness is due to the fact that although descriptive statistics are employed, the data are not processed beyond recognition (or beyond what is appropriate in relation to their reliability). All the essays reveal a strong emphasis on government policy in dealing with the motor vehicle MNCs, trying to contain labor, concentrating income receipts enough to create buoyant domestic markets for automobiles in nations with low per capita incomes, and frantically promoting exports after the economic downturn of the early 1970s.[5]

This collection edited by Kronish and Mericle is a very good book, but it has a few troubling aspects. Several of the articles do not adequately distinguish between automobile markets and markets for, say, trucks and tractors. Clearly, these markets differ and have varying social and developmental implications.

More important than that problem, however, is another issue that deserved more careful handling by the authors. Virtually every essay notes the problems of national market size in relation to the efficient scale of operation for several of the industry's manufacturing processes. Without large enough production runs for the components, the whole operation is condemned to high unit costs. Governments apparently considered this problem to be more serious than that of semi-monopoly, and Latin American governments strove to limit the number of motor vehicle firms operating in their nations. Bennett and Sharp, in their article on bargaining between the MNCs and the Mexican government, argue that the MNCs, fearing being excluded from the national market altogether, resisted strongly the imposition of strict limitations on the numbers of motor vehicle firms.[6] Even if one accepts this argument, why were the national governments seemingly the only agents that tried to limit the numbers of models produced by those firms allowed into the country? Why did not the firms themselves, which were still competing with each other within national markets, strive for the lower unit costs that presumably would have resulted from larger outputs of fewer models? References to oligopoly theory, with price competition being supplanted by product differentiation and promotion, do not suffice. If such cost savings were not passed on to purchasers through lower prices, the savings would have gone directly into higher profits, and oligopolies are profit-seeking ventures.

Related to this point, why were so many carrots and sticks necessary to get motor vehicle MNCs interested in producing for export? Again, if scale economies are so significant, exports would seem to be an attractive way to achieve efficient levels of production. The answer is especially difficult for the reader to work out because despite the wealth of information provided, there is virtually nothing about the actual or possible destination of these exports. This information is necessary to understand how a particular pattern of exports might have fitted in or conflicted with the worldwide integration of a specific MNC's operations.

The remaining four books do not illustrate a particular approach as clearly as those used to establish the three methodological poles, but it is worthwhile arranging them along the axes. In *Sectoral Clash and Industrialization in Latin America*, Dale Story applies Markos Mamalakis's "sectoral clash" model to Argentina, Brazil, Chile, Mexico, and Venezuela.[7] At first glance, the model appears to be a way to set the variables of neoclassical economics within broader social and political processes. On closer inspection, however, the model so completely accepts conventional economic theory's premises about the determinants of economic change that it does not go significantly beyond the standard teleology of primary, secondary, and tertiary sectoral development (for example, Clark 1957).

Some of this book's problems are inherent in the model and some result from Story's application of it. The particular sectoral clashes that Story studies are the usual ones between "the emerging industrial sector and the primary product export sector," and his reading of historical causation is clearly expressed by his statement that "the factors *affected* by the patterns of sectoral clash include economic growth, the timing of industrialization, the degree of class conflict, and the formation of political coalitions" (p. 1, emphasis added). The sectoral clashes themselves are so natural that they do not seem to warrant an explanation.

In the first of his two major chapters, Story relates the timing of sectoral clash to the source of its initiation, and his principal point is that the later the clash occurs (later, presumably, in respect to the extent of industrial growth), the more likely the clash will be initiated by the state; the earlier clashes tend to be initiated by industrialists "autonomously." While this proposition is consistent with liberal economic thought that detaches the state from politics, Story might instead have distinguished between industrialists' achieving national economic hegemony by working outside the state versus working through the state. This formulation would have allowed him to explore patterns of state development, the necessary conditions for the state to be an effective vehicle for furthering specific interests, and the extent to which the state did or did not constitute a "sector" in its own right, one capable of clashing with other power centers in the society. Even this formulation accepts the model's basic premise: that in the course of recent capitalist economic growth, the struggle between those representing primary product sectors (traditionalists) and those representing industry (modernizers) is central for understanding contemporary processes of economic growth. Story cites Gerschenkron (1966) and Moore (1966), without acknowledging that both works call into question the historically universal character of the bourgeois revolution (Weaver 1980 also makes this argument).

Story devotes a large part of the second chapter to trying to discern the effects of sectoral clashes on internal terms of trade and relative labor productivities in the sectors involved. The effects he looks for appear to be overwhelmed by changes in the international prices of the export commodity, however, and the results are not satisfactory.

In the last chapter, Story concludes that nations in which sectoral clashes were initiated independently of the state (Brazil and Mexico) experienced higher growth rates than those nations where the state initiated sectoral clashes (Argentina and Chile). He regards Venezuela, with its state-initiated clashes and high growth rates, as anomalous. This conclusion does not reflect well on the model.

Thomas Trebat's *Brazil's State-Owned Enterprises: A Case Study of the State as Entrepreneur* is also located firmly in the tradition of neoclassical economic theory, and in many ways, it exemplifies the best of that tradition. As a much needed case study of public enterprises in Brazil, the work is cast in sufficiently comparative terms to be useful to a broad range of scholars interested in Third World development.

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The first three chapters set the stage for the case studies. While Trebat's use of "the moral center of the [Latin American] organic-statist vision" (pp. 2–3, drawn from Stepan 1978) does not help in understanding the economic role of the Brazilian state, Trebat's own interpretation of its genesis, distinguishing between regulation and direct production, stresses its ad hoc, reactive nature. Once the state's economic presence was established, however, the rapid absolute and relative growth of public firms in Brazil occurred in an orderly manner, principally through spin-offs and diversification and frequently financed by retained earnings. He contrasts this pattern with that of other nations where the state has taken over private firms in financial trouble.

At the end of the third chapter, Trebat is skeptical about the Brazilian government's recent declarations on selling public enterprises to private investors. He shows that such plans do not include the major public utilities or enterprises in transportation and heavy industry or in activities that bear on national security (especially because MNCs would be the groups most likely to be able to purchase and manage these enterprises). He estimates that only 10–20 percent of the public enterprises would be susceptible to being sold off, and they would be the least attractive to private buyers. Brazilian intentions, then, are very different from "the ideological fervor for the task that was so evident in Chile in the 1970s . . ." (p. 68).

Trebat estimates that in 1980 around 700 firms were publicly owned and operated, including all but one of the thirty largest firms in the nation (pp. xiii, 35). The 250 federal government enterprises are the largest and most important, and his own research covers the fifty largest federal firms that he regards as the core of the public sector firms.

The next five chapters of *Brazil's State-Owned Enterprises* present Trebat's research, and they include issues of enterprise control, financing, growth, rates of return, and relationship to national economic growth. These detailed chapters are carefully developed and intelligently presented. He shows that even before 1964, it was firmly established that these enterprises should be run as much as possible like private enterprises and that in spite of the close links between the military and, say, the public petroleum and steel firms, public enterprises should be insulated from politics. Actual practice came much closer to these principles after the 1964 coup, aided by general depoliticization (that is, the suppression of legislatures, political parties, and unions). Trebat also discusses the implications of market structure and the firms' greater freedom after 1964 to engage in full-cost pricing, to control wage costs, and to create a cadre of competent, well-paid managers. As a result, most enterprises have been profitable enough to reduce their dependency on public funds, thus increasing their autonomy even more. He demonstrates that these firms have an extremely impressive

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record of productivity and rates of return, perhaps the best in the world for public enterprises (pp. 179–80).

Trebat's chapter on the firms' role in national economic growth considers their contributions to aggregate output and investment as well as the place of the firms within Brazil's economic structure, including forward and backward linkages. He concludes that on the whole, the public sector firms have been complementary to the private sector and that they have indeed been a vitally important source of general economic growth. Trebat's evidence is carefully related to significant propositions, and while his focus is quite specific, he continually alerts the reader to the broader significance of the public firms' activities and of the conditions that contributed to their success.[8]

Technology and Competition in the Brazilian Computer Industry by Paulo Bastos Tigre is a bit more narrowly conceived than Schmitz's work. But methodologically it is very much in the same genre, probably reflecting the fact that both works were written while the authors were associated with the University of Sussex. The two works are also similar in their organization. Tigre begins with a review of the literature on MNCs and barriers to entry, the implications of joint ventures and of various ownership and licensing arrangements, and technological transfer, and he presents a series of formal hypotheses. He then proceeds to his case studies and concludes by relating the findings to his hypotheses.

Tigre also echoes Schmitz's general conclusions in arguing that far more ingenuity and sheer capability exist in Brazil (and the Third World) than pessimistic emphases on "dependency" would lead one to believe. Moreover, Tigre is not looking at the hammock industry with its secondhand equipment; he is studying the highest of high tech industries. Finally, Tigre's book also recalls that of Schmitz in being an extremely valuable piece of work.

Computer manufacture in Brazil is very recent. In 1975 virtually all computers sold in Brazil were either imported or assembled from imported components. Although the government had made some earlier efforts to create a Brazilian computer industry, 1975 was the beginning of a sustained and coordinated attempt to stimulate domestic research and production, principally of microcomputers and minicomputers. By 1981 over $1.1 billion in computers and peripherals had been produced in Brazil, including $244 million in exports. Brazilian firms accounted for $416.6 million of the local production and for practically all micro- and minicomputer production (pp. 46–57).

On the basis of a close study of government policy and the industry, which included extensive interviewing, Tigre chronicles the rapid growth of this industry as well as an impressive number of significant innovations and adaptions in both design and applications. By

Tigre's well-documented account, the Brazilian experience with computer production has been a case of extremely successful import substitution that was initiated and orchestrated by the government. He shows how MNCs use financial and technological advantages to obstruct entry (IBM is continually cited in this regard), and he argues that even joint ventures with a majority of locally owned shares are not adequate for local control over policies, operations, and technological transfer.[9]

Tigre concludes that the government must resist pressure from local computer firms (and presumably from MNCs and computer users as well) to be allowed to utilize imported components for reasons of short-run cost and quality. He strongly advises the government to follow the Japanese example and to continue exercising strict control over the industry in order to gain longer-run benefits from technological autonomy.

The last book in this review is *Industrialization and Regional Development in Peru* by H. Cabieses, D. Kruijt, R. Lizarraga, and M. Vellinga. This collective work is not so much about industrialization and regional development as it is about public policy and regional underdevelopment in Peru. In sharp contrast to the Kronish and Mericle collection, this book uses Marxist language but not Marxian analysis. Its use of language remains a declaration of political stance that is not adequately supported by the way in which the study's questions are formulated or pursued. One learns little about the dynamics of Peruvian regional change from this book.[10]

The strongest aspect of *Industrialization and Regional Development in Peru* is its description of governmental regional policy, but surprisingly, no attempt is made to estimate regional patterns of tax payments and government expenditure. Moreover, the severe economic and human cost of regional concentration is a key premise of the book, but it is never examined. Unlike the distribution of income among individuals, even an extremely skewed distribution of groups and activities among regions does not necessarily evoke serious concern. The authors apparently accept the reality and even substantial size of "agglomeration economies" (p. 36). If this premise is so, promoting centralization may very well be a better way to reduce economic inequality than discouraging it. On the other hand, the agglomeration economies may be illusory or the result of discriminatory government policy. If so, an argument to that effect should have been presented.

A profound pessimism about the compatibility of vigorous capitalist growth with democratic politics pervades most of the books covered in this review. Berry and Salazar-Carrillo, of course, have not cast their studies in ways that allow them to say much along these lines, but it is still fair to observe that neither their findings nor their recommendations are peculiarly democratic.

Schmitz's *Manufacturing in the Backyard* is probably the most optimistic because the author sees tremendous potential for national material progress residing in small firms. If practicable, the resulting diffusion of economic power might support a corresponding diffusion of political power. But Schmitz does not argue that greater economic participation by small firms is a necessary condition for national growth; instead, it remains a possible alternative to the current, highly centralized Brazilian model. In different ways, Trebat, Tigre, and Mericle argue that the material success of that model requires effective authoritarianism.

Trebat strongly suggests that if Brazilian lower and working classes (or perhaps any group in civil society) had possessed the institutionalized means to exert political pressure on public enterprise managers, the resulting deviation from the pursuit of growth and profits would probably have significantly reduced the contribution of public enterprises to national growth (see my note 8). The message in Tigre's book is clear: the initial success in establishing a Brazilian computer industry depended on direct governmental control, and control must continue to be impervious to political pressure even from local computer firms if the industry is going to serve as an autonomous center of national economic and technological vitality. Mericle argues that the Brazilian motor vehicle industry depended on the government's ability to defeat the working class both at the level of national politics (for concentrating income receipts) and at the level of the shop floor (for labor "discipline" and wage costs).[11] Other articles in the Kronish and Mericle collection support this argument by using Mexico as a similar example and Argentina as a counterexample.[12]

In the nineteenth century, both liberal and Marxist thought considered capitalism to be the engine of economic growth, and socialists contended that socialism was the way to realize the social and political promises that capitalism would never be able to deliver. By the middle of the twentieth century, it was not surprising to find that the emphases had changed: political freedoms seemed to receive much more attention in arguments for capitalism and economic growth to dominate those for socialism. Maybe now, toward the close of the twentieth century, the terms of the argument are shifting again.

NOTES

1. In this collection, my favorite use of proxy variables is in Manuel Ramírez G.'s essay, where he uses "accumulated labor on plant maintenance" as an indicator of "a local inventive process or activity" in thermoelectric production (p. 177). With all the attention received by proxy variables, one should not forget that measuring the

present value of a stock of capital is not the straightforward computation that neoclassical growth theorists believed it was in the 1950s and early 1960s. Harcourt (1972) provides an excellent review of the debate between Cambridge University economists and Cambridge, Massachusetts, economists over the measurement of capital used in production functions.

2. For example, the only mention of women that I remember is Berry's unsubstantiated assertion that "the measured trends in labor force and labor productivity reflect, among other things, a significant substitution of more highly skilled male workers for less skilled female workers" (p. 14).
3. Salazar-Carrillo acknowledges that labor market imperfections in Latin America are very large, but his research does not go beyond that. It would have been easy to introduce a gender variable into his regression equations, a variable that might have helped to explain the especially large wage variations among clerical workers. Doing so, however, would have meant opening up questions about segmented labor markets, which are not a part of the usual terrain of neoclassical economics.
4. Liss (1984) is an excellent study that reminds us of the prominence of Marxism among Latin American intellectuals. Warren (1980) is a study that serves to remind us that not all Marxism is neo-Marxian.
5. In his essay on Colombia, Michael Fleet appears to disagree with the consensus among the volume's other contributors about the need for highly skewed income distributions (p. 236). McMullen (1982) is a short general study of exports from "newly industrializing countries," and it recommends that they not be shut out of developed nations' markets.
6. Bennett and Sharp analyze the reasons why the Mexican government was defeated by MNC pressure when the government tried to keep the number of firms very low. It is an extremely good article, but one should note that their table (p. 209) shows that the actual number of operating firms is almost the number the Mexican government initially proposed. This figure raises the questions of who actually won and whether the outcome of the bargaining process over formal rules is an adequate indicator of winners and losers. In this case, the Mexican government had sure control of the administrative apparatus, and there are many other ways to discourage firms in addition to restricting their numbers formally.
7. The sectoral clash model has been discussed and applied, albeit rather uncritically, by several scholars in *LARR* articles. See Gilbert W. Merkx, "Sectoral Clashes and Political Change: The Argentine Experience," *LARR* 4, no. 3 (1969):89–114; Jorge I. Domínguez, "Sectoral Clashes in Cuban Politics and Development," *LARR* 6, no. 3 (1971):61–87; and Markos J. Mamalakis, "The Theory of Sectoral Clashes and Coalitions Revisited," *LARR* 6, no. 3 (1971):89–126. Although Story does not mention it, Mamalakis (1976) is probably the most fully developed application of the model.
8. Trebat is careful to note that one of the important conditions was that the public firms did not have to consider social implications when making decisions about prices, employment, and location. Some of the costs of this policy are indicated by Kutcher and Scandizzo (1981), who demonstrate the dire need for productive enterprises in the Northeast of Brazil.
9. Technological transfer and production are the themes of *Technology and Development: A Third World Perspective*, a collection of reprinted essays including a large number of rather bland United Nations documents, under the editorship of P. K. Ghosh. The articles included in the collection are generally available, and the editor's contribution does not go beyond that of a compiler and bibliographer (there is not even an introduction specific to the volume). *Industrialization and Development: A Third World Perspective* is the second volume in the same series, also edited by Ghosh, and it displays the same problems as the first. The series is planned to fill twenty volumes.
10. Dietz (1980) and Lloyd (1980) certainly reveal more about the significance of migration to Lima.
11. Even though the Brazilian economy has faltered significantly in the last decade, these problems do not seem to be due to the lack of domestic political freedoms.
12. Bleak conclusions about the prospects for democracy have not been limited to scholarship on Latin America or even the Third World. Crozier, Huntington, and

Watanuki (1975) exemplifies modern political thinking coming to parallel conclusions with respect to economically developed nations.

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