

Francis Fukuyama, *Falling behind: explaining the development gap between Latin America and the United States* (Oxford: Oxford University Press, 2008. Pp. xiv + 312. 32 figs. 17 tabs. ISBN 9780195368826 Hbk. £15.99/\$29.95)

'History matters'. The plea by historical economists appears to have worked for political scientists, who in this volume deal with a topic that has long captured the imagination of scholars: when and why has Latin America fallen behind Anglo-America? This volume comprises eight papers with a brief introduction and a concluding chapter by the editor, plus a preface.

In part I, 'The historical context', Tulio Halperín Donghi and Enrique Krauze provide an intellectual and cultural background to the Latin American-US 'development gap', while Jorge Domínguez offers a political economy assessment of Latin America since 1950. Part II, 'The politics of underdevelopment', presents an excellent paper by Adam Przeworski and Carolina Curvale, perhaps the volume's most interesting one for the economic historian. They make too much, however, of the consequences of delaying independence and turmoil. If they account for two-thirds of the per capita income gap between Cuba and the US in 2000, what would be left, then, for the disastrous performance under communist rule over the last half a century? Then, Riordan Roett and Francisco Gonzalez address the high-stakes politics in Latin America as opposed to pacts and compromise in the US. In part III, 'Institutional factors in Latin America's development', James Robinson exposes his 'reversal of fortune' hypothesis and makes an unpersuasive attempt at explaining the persistence of poor institutions over time. A thorough exploration of the formal and informal institutions underlying the gap by Francis Fukuyama and Natalio Botana's comparative essay on 'fiscal citizenship' close the volume.

Comparing the world's richest country since the late nineteenth century with a Latin America that today lags behind not only Anglo-America, but also east Asia and southern Europe, is an exciting exercise, but how far can we take the comparison? Two alternative scenarios can be conceived. If we assume a Solovian world in which all countries share a common 'steady state', comparing any country or region to the leader would show up its shortcomings and potential for catching up. If this is case, the US would provide the appropriate yardstick for Latin America's behaviour over time. If, instead, as the editor wonders, 'the US is simply exceptional' (p. 3), the exercise loses strength. Alas, the overoptimistic world with a single 'steady state' is far from evident. When factor endowments, geographic conditions, institutions, economic policies, and cultures differ, countries do not allocate their resources in the same way, nor necessarily converge to the same levels of output per head. In such a scenario, the US would no longer provide the adequate standard for Latin America's historical performance.

The collection of papers that Fukuyama has cleverly wrapped up in this volume dithers between these two positions, ending by depicting the US as a 'counterfactual Latin America' that failed to materialize. For example, when James Robinson predicts a most different fate for Latin America, as the pre-colonial affluence found by the Iberian colonizer called for rent-seeking institutions, while the opposite occurred in British North America, why does he keep insisting on a comparison between Anglo- and Latin-Americas in which the former provides the 'norm'? Would it not be more consistent to argue in favour of more realistic comparisons: for example, the southern pre-1865 US and Brazil, Jamaica and Cuba, British India and Mexico or Peru?

Establishing 'when' Latin America fell behind is crucial to explaining 'why'. A consensus exists among the volume's contributors. From similar per capita income around 1700 Latin America fell behind the US: first, during the eighteenth century, so that at the time of Latin American emancipation a gap already existed; then, it widened during post-independence as Latin American GDP per head stagnated; and later, between 1870 and the 1970s, the gap remained unchanged to deepen, again, with the crisis of the early 1980s. Unfortunately, up to 1870, the consensus is built on very shaky foundations. To begin with, levels of GDP per head in pre-1820 Latin America are just an unknown. Alas, John Coatsworth and Angus Maddison's figures, cited profusely in the volume, are simply wild guesses. It is now accepted that per capita income grew very slowly before the industrial revolution, and that gaps between nations appeared mostly as industrialization started in one country earlier than in another. Thus, it is unclear why a gap between British and Iberian colonies emerged during the eighteenth century when growth was very slow in British North America and most probably in Latin America. Accepting this reasoning would place the origins of the gap in the post-independence era.

According to Maddison's estimates, between 1820 and 1870, and with some exceptions in western Europe and British North America, per capita GDP did not grow above 0.5 per cent per year. Thus, a gap would have developed between the US and the 'rest'. Latin America's position was thus not so unusual. Furthermore, on average, it was among the best performers of the rest, with its southern cone doing as well as western Europe. As regards the period 1870–1980, it is worth distinguishing before and after the Great Depression. 'Liberal' Latin America outperformed the west between 1870 and 1929, and then, under an 'import-substitution industrialization' (ISI) strategy, its economies grew faster than ever but failed to catch up with the US, while countries elsewhere (east Asia, southern Europe) did do so. Lastly, since 1980, the gap has widened more than ever. All this should lead us to question highly speculative explanations for the remote origins of the 'gap' while focusing on the late twentieth century. Interestingly, however, most contributors to the volume discuss the post-1980 stagnation, blaming the previous inward-looking policies that not only impeded Latin America's catching up, but placed it in an unsuitable position to face the challenges of a new globalization wave.

As for the 'why', all authors share their uneasiness with geographical and cultural explanations of the development gap as their invariance over time does not seem compatible with differences in growth rates over time. External dependency is also rejected, although the European influence is recognized. Ill-advised economic policies (ISI, in particular), institutions (informal ones, especially), and social structure are emphasized as the main explanatory hypotheses. Its outcome, social inequality, led to political instability that, in turn, negatively affected investment and growth. All in all, the collection of papers included in this volume is thought-provoking and well written and certainly deserves to be read by those interested in the causes of divergence across countries.

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