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THE POLITICAL ECONOMY OF REFORM

Thomas Osang

THE papers in this particular subject look at the Latin American experience in dealing with the economic and political opportunities and challenges that come with greater integration into the global economy at both the general and country level.

Manzetti's paper analyzes why public opinion in Latin America turned against privatization since the late 90s. The explanations include: 1) the fact that privatization losses are concentrated, while gains are dispersed among unorganized sectors; 2) initially inflated expectations causing subsequent big disappointments; 3) renegotiations of privatization contracts; 4) costly government bailouts of failed privatizations; 5) bad timing in terms of the business cycle; and 6) government corruption and lack of transparency. Another explanation—a political shift to the left—is dismissed due to lack of evidence. The final section of the paper tackles the question of whether privatized companies may be re-nationalized in the future. Despite cases of nationalizations in Venezuela, Argentina, and Bolivia, Manzetti concludes that there is little evidence for a general trend toward nationalizing previously privatized utilities across Latin America.

Blake instead looks at the dynamics of economic integration in Venezuela. The first part of the paper deals with the rise and fall of market-oriented economic policies over the last five decades. Four specific periods are distinguished: The emergence of state capitalism (1958-78), its crisis (1979-88), the pursuit of market-oriented reforms (1989-98), and finally, 21st century socialism under Hugo Chavez (1999-07). In the second part, Blake investigates the economic integration strategies during the Chavez era as well as current obstacles to market-oriented reform. The final part examines the prospects of Venezuela's support and involvement in a potential Free Trade Agreement of the Americas (FTAA), which is highly unlikely, as well as economic and social requirements, such as poverty reduction and greater access to health care, that would make an FTAA more politically acceptable among Latin American voters in general.

Kingston's focus is an in-depth analysis of Brazil's response toward the globalizing world economy since the early 1980s. During this time period, Brazil changed both politically and economically. In political terms, the military rule came to an end in 1985. Since then, democratically elected presidents have ruled the country. Economically, import substitution policies and high trade barriers have been replaced with open markets and

neoliberal reforms. The result has been relative macroeconomic stability, in particular low inflation rates, and an export boom in products such as soy, sugar, meat, and orange juice. Kingston explains this dramatic change in five steps: 1) Brazil's economic performance during the transition from dictatorship to democracy; 2) its initial shift toward reforms during a period of economic volatility; 3) the emergence of an economic consensus in favor the neoliberal model; 4) the shaping of the current administration's pragmatic version of neoliberal reforms its reservations toward an FTAA; and 5) the issue of sustainability of Brazil's current growth strategy and the country's stance toward continued trade integration.

Finally, Starr explores Mexico's middle ground between populism and the rule of law in facing the challenges of globalization. Her analysis draws heavily on interviews with Mexican policy makers, journalists, academicians, and practitioners which she conducted in 2006-07. As a result, the paper does not contain any footnotes or the standard reference section. Starr restricts her analysis to the political and economic developments in Mexico since the 2000 election. Her main point is that Mexico's transitional democracy, its three main political parties, and the legacy of its long authoritarian past define the country's capacity for political reform and constrain the maneuverability of any national government. She then explains why there are serious concerns regarding the current government's ability to implement the reforms needed to ensure future growth of Mexico's economy. The paper contains three main parts. First, is an examination of the political structure of democratic Mexico beginning with the election of Vicente Fox in 2000. Second is an analysis of the political stalemate under the current president. Finally, the author investigates the possibilities for future policy reform, in particular a reform of Pemex, the country's sole and government-owned oil company.