that started in 1925 and the worldwide economic depression of 1930, the result of which was a structural crisis of the economic and socio-political system of the island. The author concludes that in 1925 the system was destabilized as a result of internal and external financial pressure, resulting in a policy of State intervention. State regulation, limitation of supply and the intensified economic crisis paved the way for the 1933 revolution. Even so, he argues, the continued specialization in sugar facilitated the re-entry of the Cuban industry into international markets, mainly through newly revised commercial agreements with the United States. Throughout the 1930s, after the Chadbourne Agreement expired and a new Agreement was signed with the U.S., Cuba continued to limit its production. It was expected that Cuba, like other countries, would cancel these restrictions, but Santamarãa maintains that Cuba still held a considerable reserve of unsold sugar. Furthermore, an examination of international agreements and sugar prices during the second half of the decade leads him to the conclusion that abolishing limitations would have created market instability and pushed prices downwards.

His research hypothesis, which states that maintaining its specialization in sugar production was the best alternative for the Cuban economy, is supported by the fact that after the Great Depression Cuba succeeded in re-entering world markets under better conditions than other sugar exporting countries. Moreover, he argues in Chapter Seven that small- and medium-sized mills were more capable of adjusting to the new market conditions than larger ones. This explains why during the 30s, mills were bought by traditional sources of capital, whereas foreign sources of capital withdrew. Furthermore, continuing to specialize in raw sugar gave Cuba a competitive edge over European sugar beet producers.

This well-documented study gives profound insights into the complexities of Cuba's principal industry in the course of two crucial decades of its history.

Sary Shinar  
Tel Aviv University

MACLEOD, DAG, *Downsizing the State. Privatization and the Limits of Neo-liberal Reform in Mexico*, Penn State University Press, 2004

Privatization, together with the liberalization of the financial account, are the most disputed components of the neo-liberal policy package implemented in Latin America during the 1980s and 1990s. The belief that public firms are always more inefficient than private ones has proven unwarranted, and the process has often led to job losses, corruption and limited efficiency gains.
Careful studies of privatization such as Dag McLeod’s *Downsizing the State* are thus particularly welcome. McLeod builds his analysis around a critical review of economic sociology and comparative political economy, which is supported through case studies of the airline, telecommunication and railroad industries in Mexico. While recognizing the importance of non-market institutions and social interaction, McLeod argues that the search for individual profits within the market is still the defining feature of capitalism. Markets and non-market institutions interact in complex ways, sometimes reinforcing each other while pursuing contradictory objectives on other occasions. From this perspective, privatization constitutes an attempt to open new spaces for private profit maximization by modifying the relation between market and non-market institutions. It is thus something different from the substitution of inefficient and corrupt political actors by efficient and apolitical private firms that neoclassical economists have in mind.

The three case studies provide some interesting lessons on the nature of the interactions between the public and private realm within the neo-liberal project in Latin America. First, private firms are not necessarily more efficient than public ones; they simply have different objectives. This is particularly clear when the experience of the two largest Mexican airline companies is analyzed. Between 1959 and 1982 Mexico had one private airline company, Mexicana de Avicion, and one public one, Aeromexico. On the surface, Mexicana was more efficient, generating a small profit while the public Aeromexico had permanent losses; yet, closer analysis reveals that the differences were not so dramatic. Aeromexico’s worse performance was partly the result of its political and social commitment to fly small, non-profitable routes. Moreover, both firms followed a similar strategy of expansion during the 1970s and both faced similar problems during the debt crisis of the early 1990s. Privatization was not a panacea for the troubles of the industry. Neither Mexicana de Avioncer nor Aeromexico were able to generate profits after privatization, and were ultimately forced to merge, receiving ample financial support from the Mexican state in their second restructuring effort.

Second, privatization can only be successful when carefully managed and regulated. When privatization consists only in the transfer of public firms to the private realm, it is likely to lead to private monopolies and persistent inefficiency. In the airline industry, this was particularly true, as little effort was made to determine the shortcomings of the Mexican market and regulate the industry accordingly. Success in the telecommunications sector, on the other hand, was made possible by active involvement of the state in the process and by setting a deliberately slow speed of the reforms. The state granted the privatized telecommunications firm, Telmex, rights for the exclusive management of long
distance calls for seven years, while simultaneously securing the conditions for healthy competition between several firms in the long run.

Third, privatization is usually preceded by a process of restructuring, which comprises a sharp reduction in employment. The most extreme case of restructuring took place in the railroad sector, where thousands of workers lost their job in the years prior to privatization. The number of workers in the national railroad company decreased from 83,290 in 1990 to 55,664 in 1993 and 44,169 in 1996. The privatization of Aeromexico and Mexicana de Aviacioción was also followed by labor restructuring as well as a reduction in the firm’s debts. Even in Telmex, where job losses were kept to a minimum, industrial relations became substantially more flexible.

Despite his breadth of the analysis, McLeod fails to utilize his three case studies to explain why privatization is more successful in some instances than in others. Was active involvement of the state in the telecom privatization the only factor in the industry’s success when compared to the other two sectors? Were public measures essential? How important were the technological and historical characteristics of each sector? What about international factors? In a related dimension, how can McLeod’s theoretical model inform the answer to these questions? Addressing these questions would have clarified when privatization is most and least effective and would have made the interaction between theory and case studies clearer.

Where McLeod is particularly successful is in his use of the Mexican privatization process to amend the concept of state autonomy. According to recent research in political economy, successful policy reform takes place when the state is autonomous from social forces and thus capable of promoting and implementing an independent economic project.

McLeod questions this theoretical conclusion and, especially, its application to privatization in Mexico. State autonomy is a relational concept that can only be understood when analyzing the influence of different social groups. Claims that the Mexican state was autonomous during the neo-liberal era because it was able to successfully privatize many public firms ignore the fact that privatization had powerful supporters within civil society. The Mexican State was autonomous from trade unions, limiting their ability to oppose privatization; yet, it was completely dependent on large Mexican firms, which became close allies of the state in implementing neo-liberal reforms. A coalition of transnational corporations and domestic financial groups promoted privatization, directly profited from it and also assisted in its implementation in their role as technical advisors.

*Downsizing the State* raises some interesting amendments to economic sociology and comparative political economy, while describing the process of privatization in Mexico in great detail. The book would have benefited from a
more careful interaction between theory and case studies and from some dis-
cussion of Mexico’s particularities within the Latin American context. These
weaknesses, however, do not minimize the interest of the volume and particularly
its contribution to the discussion of state autonomy, state-society relations and
the fundamental shortcomings of the neo-liberal economic project.

Diego Sanchez-Ancochea
Institute for the Study of the Americas,
University of London


Las habituales dificultades que supone abordar el análisis de un texto sin
haber conocido la trama de su historia y el contexto en que fue escrito se agravan
cuando el mismo se compone de trabajos aportados por distintos autores, dentro
de un marco conceptual que ha sido definido por sus compiladores y cuyo perfil
desconocemos.

En el libro que nos ocupa, este primer obstáculo no existe. Y eso no es poco.
Aunque uno desconozca la génesis de la preparación del texto o no haya sido
avisado de los objetivos explícitos e implícitos que animaron a sus compiladores
al encararlo, en este caso va a encontrar una unidad conceptual bien definida
en el enfoque adoptado.

Al mismo tiempo, otra virtud adicional en el texto es destacable. A medida
que se avanza en la lectura es posible imaginar cómo reaccionaría un lector si no
tuviese una base documental amplia sobre la sociedad que se pretende analizar
en uno de sus costados más críticos: la cuestión social. Y el libro, en ese sentido,
satisface plenamente la inquietud planteada. No hace falta ser un experto en la
problemática socio–económica para ingresar en la muy interesante actividad de
recorrer sus páginas. Aunque el foco del tema a discutir sea el análisis crítico
de las políticas sociales desplegadas en la Argentina de los 90, durante la Con-
vertibilidad, hay dos valiosos aportes, apenas se inicia la incursión por el texto,
que permiten apreciar en toda su magnitud la profundidad del derrumbe e los
principales componentes de la realidad social de América Latina y de la Argen-
tina. Las contribuciones de Jürgen Weller y Javier Lindenboim ilustran, con un
excelente método de análisis, la dimensión económica y social del desarrollo en
el continente latinoamericano y en uno de sus países más destacados durante el
decenio donde, con mayor rigor, imperó el enfoque neoliberal como estrategia