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Reseña

Kurt Weyland. Revolution and reaction: The diffusion of authoritarianism in Latin America. Cambridge, Cambridge University Press, 2019. 320 pp. ISBN: 978-1108483551.

Gustavo A. Flores-Macías (ed.). The political economy of taxation in Latin America. Cambridge, Cambridge University Press, 2019. 282 pp. ISBN: 978-1108474573.

Several Latin American countries made a reactionary turn in the 60s and 70s, giving rise to military dictatorships characterized by their brutal repression and their purportedly developmentalist goals. Kurt Weyland's *Revolution and Reaction* provides an original viewpoint of these events, using insights from cognitive psychology to explain the behavior of the actors involved. His main argument is that the radicalization of the left and the ensuing reactionary backlash resulted from skewed perceptions that deviated from standard rationality.

Part 1 develops his theory, considers alternative hypotheses and concludes that bounded rationality mechanisms are the best explanation of the reactionary wave that swept Latin America. The unexpected success of the Cuban Revolution in 1959 led both left and right to overrate the chances of communism prevailing in their countries, which triggered another bounded rationality mechanism: asymmetric loss aversion. Cognitive psychology asserts that people perceive the status quo as an entitlement and prefer avoiding losses to potential gains of the same magnitude. According to Weyland, this explains both the lack of support and the violent reaction to revolutionary challenges. Part 2 sets to prove his hypothesis in an excellent, richly sourced historical account. It describes how the Cuban Revolution set in motion guerrilla struggles and further radicalization in the 70s, the failed attempts to enact moderate reforms in the 60s, and how the dictatorship that ruled Brazil since 1964 —with its strong economic record and staunch anti-communism— became a role model for elites across the region. Overall, the book provides a great historical survey, highlights the importance of exploring behavioral microfoundations and deepens our understanding of why democracies fail.

Despite its many strengths, setting the hypothesis strictly on the confines of bounded rationality leads to some debatable lines of argumentation. Two stand out. Firstly, deviations from standard rationality are not convincingly established. Weyland invokes disproportionate loss aversion to support two different claims: one, elites were excessively violent and their turn to dictatorships was incommensurate with actual revolutionary threats; two, a majority of the population supported or acquiesced to the coups. Regarding elites' behavior, it is hard to sustain that they overreacted if, as he puts it, revolution "would take away their political power, social clout, and property, if not their life" (p. 65). More importantly, elites may have had goals beyond preventing revolution, like setting a deterring precedent, reconfiguring contested institutions and eliminating left-wing forces. Similarly, Weyland discards the possibility that conservatives strategically exaggerated the communist threat to justify their authoritarian reaction. To support this claim, he relies on private documents from military leaders and highlights that democracies were later restored. This is inconclusive, however, especially in light of historical evidence showing that right-wing forces used anti-communism to galvanize support and took advantage of autocratic periods to tweak forthcoming democracies in their favor (Albertus and Menaldo, 2018). In sum, even if reactionary forces overestimated revolutionary threats, their turn to violent repression —its amorality notwithstanding— might well have been in the realm of standard rational calculation.

Popular support presents a more interesting puzzle. Latin American countries were so unequal that a revolution would have provided gains to a large majority of the population, but left-wing challenges were not widely supported. Weyland holds that disproportionate loss aversion played a crucial role —potential losses loomed larger than potentially higher gains— but this is an excessively reductionist approach to people's motivations. Popular classes faced choices characterized more by *uncertainty* than risk, and potential costs —from repression to economic downturns— were not necessarily lower than potential gains, especially in a period in which a substantial share of economic activity was linked to the state. Relatedly, people's subjective well-being depends not only on their income but also on their relative position in the social ladder, so it is not far-fetched that small owners and privileged workers would be reticent towards a radical transformation that lifted the worse-off. The poor, on their part, often lacked the political and economic resources to engage in opposition.

The second disputable point is the dismissal of economic and institutional explanations. According to Weyland, because autocrats took power in countries at different stages of economic development, domestic structural variables are not sufficient explanations. However, Southern Cone countries —on which he focuses— share traits that suggest economic factors had a significant role. Argentina, Chile and Uruguay were the most industrialized countries in the region and had achieved a modicum of social peace through a combination of increasing wages and welfare entitlements for formal workers, and favorable exchange rates, protective tariffs and cheap credit for industrial firms. By the 1960s, this corporatist social contract was deteriorating: continued dependency on imported capital goods, limited domestic markets and uneven productivity improvements increased external deficits and constrained further industrial expansion, while the presence of strong labor movements exacerbated distributive tensions—it is no coincidence that these countries had the highest inflation rates in the region. To ease these constraints, businesses and policymakers prioritized increasing exports and foreign investment inflows, a strategy that required controlling domestic prices to avoid the overvaluation of real exchange rates.

Against this backdrop, the authoritarian turn in the Southern Cone lowered the floor for real wages and ensured that the adjustment fell on workers, not on profit rates. Worker struggles were equated to subversive movements, "industrial guerrillas" operating in factories and union halls, and were violently squashed (Basualdo, 2015). The turn from cooptation to repression had unmistakable distributive consequences: in the years under dictatorship, labor's share in GDP fell 22 points in Chile and 17 points in Argentina, and real wages fell by half in Uruguay. In Venezuela, Weyland rightfully underlines the role of pluralistic parties containing extremism, but it bears noting that oil rents eased balance of payment constraints and subsidized the industrial sector, alleviating inflationary pressures. In short, it is not necessary to adopt excessively deterministic paradigms —linking dictatorships to a specific stage of economic development— to acknowledge that industrialization in the Southern Cone generated economic imbalances and distributive conflicts that made autocracies more likely.

Relatedly, Weyland's categorization of democratic persistence and failure is not always precise. In his view, after following similar paths, Colombia's democracy survived, whereas Uruguay's more consolidated regime collapsed. Treating Colombia as an example of democratic continuity is problematic, however. Between 1971 and 2018, for instance, 3,240 union activists were assassinated, which signals that elites had no need to dispose of elections to eliminate political rivals. Similarly, Weyland equates Southern Cone dictatorships to those in Bolivia and Ecuador, but pre-coup regimes in the latter can hardly be considered mass democracies. The MNR governments that preceded military rule in Bolivia employed a ruthless repressive machinery, and different political factions ended up cooperating to overthrow what was essentially an authoritarian one-party regime. In this line, the sequence of coups and counter-coups in the ensuing military period can be attributed more to intra-elite quarrels than to the bottom-up political schisms that Weyland has in mind. Ultimately, elections were flawed yardsticks for democracy in this period, and the curtailing of existing freedoms and mass disenfranchisement achieved by Southern Cone autocracies had no direct parallel among Latin American regimes.

In sum, Weyland presents a fascinating question: would a reactionary wave have occurred in Latin America in the absence of a revolutionary left? His innovative analysis leads him to answer no. However, I believe that his arguments do not conclusively settle the question and that additional economic and institutional factors —such as the economic imbalances associated with state-led industrialization— must be taken into account.

The political economy of taxation in Latin America, edited by Gustavo Flores-Macías, focuses on one such institutional element: why is taxation in Latin America so low? What explains the low progressivity of its fiscal structure? Insufficient fiscal extraction is essential to understand the nature of political conflict in Latin America. Under state-led industrialization, tax revenues grew more slowly than new spending commitments, leading to persistent public deficits that increased inflation and debt. Additionally, a redistributive tax-transfer system could have alleviated imbalances on several fronts. First, funneling income from rich to poor could have reduced demand for inflationary imports and deepened domestic markets for the consumer goods industries on which some countries had overinvested. Second, post-war social peace rested on contributory social insurance and a narrow tax base that excluded most workers from direct taxation mechanisms. However, weak social safety nets made labor markets responsible for absorbing increasing levels of economic uncertainty, fueling confrontation between employers and workers. In other words, the state did not substitute corporatist welfare with public social entitlements and —lacking the tools for gradual tax-based redistribution— distributive struggles radicalized.

The essays in the volume combine current analyses and long-term perspectives on institutional change. The historically oriented chapters emphasize the role of elites as the main determinant of taxation patterns in Latin America. In Chapter 4, Gabriel Ondetti proposes a stimulating hypothesis to explain why Brazil's tax revenues (34.4% of GDP) are much higher than Chile's (19.1%) and Mexico's (11.5%). Elites in Chile and Mexico form a united bloc, with encompassing business associations and competitive right-wing parties, in reaction to past left-leaning governments that threatened private enterprise and property rights (Allende's in Chile (1970-1973), Cardenas' in Mexico (1934-1940)). This bloc has been relentless in its commitment to economic liberalism and has managed to weaken labor, consolidate property and block reform, including taxes. In contrast, Brazil's private sector has not faced major distributive threats and has been less resistant to state intervention, seeking tariff protection and public benefits as compensation for higher taxes and labor costs.

In Chapter 5, Aaron Schneider analyzes the long-term evolution of Brazil's fiscal capacity. In his account, alternations between periods of growing and stagnant taxation are explained by intra-elite conflict, responding to changes in patterns of international insertion and federalism. Tax revenues increased when rising elites were able to forge centralizing fiscal bargains that accommodated popular constituencies and falling elites. In contrast, tax revenues stagnated when declining elites clung to their regional power to undermine federal pacts. In the Vargas era (1930-1945), for instance, the central government redirected taxes from exports into consumption and income, and the social contributions paid by a rapidly growing urban workforce generated surpluses to fund state-led industrialization and accommodate regional agro-exporting elites.

In Chapter 8, James Mahon analyzes why Latin American countries obtain little revenue from the most potentially progressive sources: personal income and property taxes. After independence, taxes on real estate were the preferred option of liberals, but opposition from landlords and low administrative capacity limited their reach. Elites in Chile and Uruguay were an exception: they expanded state capacity and payed taxes on real estate to serve their own interests, namely protecting property and paying for war. This has generated a virtuous circle down the road, in which elites acquiesce to direct taxes in compensation for legal security, and a competent fiscal administration can be deployed to enact progressive tax reforms. This fiscal contract is absent in the rest of Latin America: as property is not reliably protected, owners feel entitled to oppose progressive taxation.

The rest of the contributions explore factors that have persistently blocked efforts at building progressive fiscal systems in Latin America, such as private exploitation of natural resources (Chapter 2), poor tax compliance (Chapter 3), personalistic electoral systems (Chapter 6), disproportionate business power (Chapter 7) and a weak relationship between class positions and redistributive preferences (Chapter 9). Overall, the volume provides an excellent overview of political conflicts over taxation in Latin America, with a stimulating balance between generalizable hypotheses and small-n comparative studies that allow greater attention to detail.

Although all the essays are consistently strong, there are a few topics that I would have liked to see more emphasized. First, conflict over taxation is portrayed, for the most part, as the struggle to subject elites to state-controlled reciprocity mechanisms, and there are fewer examples of divisions *within* workers or elites. Disputes over taxes have often occurred between sectors or regions, with positions defined by conflicting priorities over development models that cut across social classes. During Peronism, for instance, manufacturers and industrial workers alike demanded income-tax exemptions, and preferred earning-related benefits and payroll taxes to universal alternatives. In Colombia, confrontations over fiscal extraction were defined in even narrower terms: as the central government withheld funds, the Cauca Valley Corporation (a regional agency created in 1954) acquired the power to collect its own taxes (Offner, 2019).

Second, a contractarian approach to taxation is not very revealing if it is separated from how revenue is spent. The idea of a fiscal contract is applied mainly to elites, and there is not an explicit recognition of how the lack of social protection weakens fiscal ties with the poor. Similarly, consumption taxes are said to make inequality worse, but it is difficult to assess their distributive impact without considering what they are used for. Moreover, once informality is accounted for, consumption taxes might actually be progressive (Bachas et al., 2020). Therefore, the problem is not indirect taxes per se, but that they carry an excessive burden because other figures —like taxes on income, property or profits— collect too little. For direct taxes to grow, governments can take progressivity-enhancing measures, such as removing loopholes and rising top marginal rates. However, at some point, this should be accompanied by an extension of tax bases —lowering exempted income thresholds and reducing informality— as part of an egalitarian fiscal contract that expands social protections to the poor.

To conclude, if there is a common thread in these books it is the difficulty of Latin American democracies to open-up and be responsive in the face of new political demands. The recurrence of authoritarianism in the second half of the twentieth century is a testament to this: as distributive tensions escalated, Latin American democracies were not capable of apportioning losses and elites reverted to dictatorship to crush challenges and reconfigure contested institutions —from land ownership to labor relations— for years or decades at a time. More often than not, reaction succeeded in freezing distributive demands. Taxation is a telling example: from 1960 to 1970, Latin American tax collection increased from 9.7% to 12.1% of GDP; in 2000, it remained below 13%. If fascism is the consequence of failed revolution, the books in this review suggest that it is also the offspring of failed redistributive reforms.

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