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BOOK REVIEW

How Politics and Economics Work Together to Limit Development: Institutional Complementarities in Brazil

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Few of the facts in 'Decadent Developmentalism' will be unfamiliar to even casual followers of Brazil's political economy: the segmented labour markets that limit workers' access to social protection; the ability of incumbent firms like JBS to extract resources from the government; or the role of the bureaucracy in taming the HIV/AIDS epidemic. Reliance on a consolidated block of evidence makes it all the more impressive that this book so dramatically reorients the reader's understanding of Brazil's development trajectory since 1985. Rather than simply extend the existing debate with more recent statistics, or niche case studies, the author deploys a broad swath of evidence within a new theoretical framework focused on the complementarities - the mutual supports – 'between' institutions, extracting much greater mileage from every data point.

At its core, 'Decadent Developmentalism' argues that this web of complementary institutions traps Brazil in a remarkably stable equilibrium - a rut so deep that swings from the committed left-wing administrations of the PT to the radical conservative populism of the Bolsonaro administration do little more than scratch the surface before they are co-opted, captured and corrupted into policy

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choices that have changed little since the 1988 constitution (and often long before). Not only is the deep state alive and well, it is also joined by a 'deep market' that works assiduously to maintain the current equilibrium.

In contrast to many existing diagnoses, the institutions identified as responsible for restricting Brazil's development are not portrayed as problematic or culpable in isolation. Only when operating 'jointly' do these institutions collectively hold back economic growth. The five institutional domains each reflect areas of extensive existing scholarly literature bridging economics and political science: the developmental state; the 'developmental' hierarchical market economy; coalitional presidentialism; weak control institutions; and an autonomous bureaucracy. Refreshingly, the focus on institutional interactions helps avoid ideological or simplistic critiques: a developmental state is not in itself bad for development, but when paired with coalitional presidentialism, for example, it creates a toxic recipe for rent-seeking, protecting incumbents and low investment.

The equilibrium these institutions produce not only restricts Brazil's economic growth to be slower than that of its peers, it also entails a large informal labour market with limited social protection, endemic corruption, and the occasional world-class policy innovation that helps sustain Brazil's international reputation. Accounting for such a diverse and comprehensive set of 'stylized facts' about Brazil's development within a single theory is a remarkable achievement, and this book holds out a crucial lesson for social scientists: rather than a constant push for narrower, more precise research questions, expanding the scope of explanation can in fact stimulate a higher level of theory which is much more effective at convincingly explaining and reconciling diverse outcomes.

As a result, this book is essential reading not just for Brazilianists and students of the political economy of development, but for political scientists and public policy scholars more broadly who are looking for new conceptual and theoretical tools to help them explain complex outcomes, and a template for how to apply those tools. It achieves all this despite adhering more closely to the social science traditions of process tracing and case studies than to the contemporary emphasis on causal inference and experimental sources of variation, techniques which are poorly-suited to uncovering the complex interdependencies it documents. The breadth of literatures and evidence that the author mobilizes in conveying their argument also creates a reference book, almost an encyclopedia, for anyone seeking to understand the country's national political and economic dynamics.

The book is organized in two parts, separating the economic and political relations that govern Brazil's development model. The distinction is in some respects artificial, as economists will be no less interested in the account in the second part of how rents are allocated, and political scientists no less engaged by the first part's account of the ideas that underpin the developmental state. The relational nature of the complementarities being explored means that the book's organization is complex and fluid. Each of the five institutional domains receives its own chapter that explores both institutional complementarities 'within' its own domain and 'between' domains. Hence, the contours of the developmental state are discussed both as a cause of an interventionist hierarchical market economy, and as the consequence of a political system dependent on a steady flow of bargaining chips to support coalitional presidentialism. A sixth substantive chapter moves beyond institutional rules and the main theoretical framework to consider the ideational foundations of the developmental state.

The innovative theoretical framework is laid out in the introduction, making the persuasive case that persistent failures to raise productivity, rein in spending, limit corruption and improve governance can only be understood when studied jointly. Connections between institutions make reform in any one sector futile as they are consistently blocked by the interests generated by other actors and institutions. Contrary to the common critique that Brazil's institutions are weak, the book implicitly argues that its institutions are in fact extremely strong, able to constrain actors in very distant institutional domains.

Cutting through much of the complexity and conceptual disaggregation in the literature, the concept of institutional stability presented is a fundamentally behavioural one, with repetition in practice reinforcing existing rules. Recognizing that "'agents' equilibrium strategies in one domain may be shaped by the incentives they face in another domain", complementary institutions are those which are "reinforced by similar strategic choices". The power of this framework lies in its ability to account for both stability and change, since being constrained by a distant institution also implies a new behavioural calculus is required whenever that institution does evolve.

This flexibility and indeterminacy of the institutional complementarities framework could easily be abused - any pattern of outcomes 'could' be consistent with some set of complementarities. The challenge for the author, then, is not simply to describe the various institutions and the disappointing economic growth results, but to trace out the many precise mechanisms which tie these institutions and outcomes together. Fortunately, that task is undertaken with great expertise in the remaining chapters.

Chapter 02 describes the self-reinforcing macroeconomic contours within the first institutional domain, the developmental state. The connections are many - from the 'fiscal imperative' needed to contain inflation to the use of fiscally opaque instruments such as BNDES; from hard-wired and rising constitutional expenditures to pressure for a continuous expansion of regressive taxation; from a segmented labour market to vocal demands for social protection; and from high social spending to low public investment. The consequences of these policies have been widely studied - a large state, high inequality and weak productivity growth. What is more novel is how each element of Brazil's macroeconomic policy regime generates constraints and challenges for other policies, and is itself the product of constraints in other areas. The Brazilian development model, then, is not so much a coherent set of intentional policy choices, as a circumstantial trap that minor reforms can do nothing to escape.

Chapter 03 is the most incongruous of the book, since it does not analyze any institutions or their complementarities. Yet, its focus on the ideas that root the Brazilian developmental state is essential to tie down the particular configuration of Brazil's institutions, because 'complementarities' themselves are open-ended and cannot alone explain the historical origins of Brazil's specific institutional choices. This is also one of the most innovative chapters, where the author's primary research shines through most clearly. Using detailed sociological evidence on the background of policymakers and a thorough investigation of the intellectual history of policy-making, the chapter traces the changing mix of developmentalist and neoliberal ideas. The resilient ability of the former to adapt and dominate the latter across a range of nominally leftist and rightist governments, and despite periods of enforced neoliberal reform, goes a long way to explaining the continuity of Brazil's development model. A particularly compelling insight, and one of the few to benefit from a comparative analysis, is the grounding of these ideas' persistence - both in the elite and public imaginations - in their initial adoption during a time of rapid economic growth, for Brazil the 'growth miracle' of the 1970s.

The central argument returns in Chapter 04, where the author reveals their expert knowledge of the varieties of capitalism literature by refining the classification of Brazil's microeconomic relationships between firms, the government and workers to that of a 'developmental hierarchical market economy', highlighting elevated levels of state financing and the lack of diversified business groups. Here the complementarities include how the promotion of domestic 'national champion' firms produces concentrated, oligopolistic, markets; how specialization in low-skilled manufacturing discourages workers from investing in education and training; and how the government's strategy of acquiring minority stakes and cross-shareholdings in a wide range of private firms limits market competition. This contribution to the varieties of capitalism literature should not be underestimated. Too often, the literature has conflated the existence of equilibrium-sustaining complementarities with performance-enhancing complementarities. This book illustrates vividly that the two need not coincide: institutions can survive because they provide narrow benefits and prop up other exclusive institutions, rather than because they perform better than competing alternatives. Brazil sits between the polar ideal-types of neoliberal market and developmental state not because it lacks complementarities but because of an abundance of them (HALL and GINGERICH, 2009).

The second part of the book switches focus to political institutions, with Chapter 05 focusing on the primary characteristic of Brazil's national politics: coalitional presidentialism. Naturally, the author conceptualizes coalitional presidentialism less as a narrow description of how laws are passed in Congress and more as a broader self-reinforcing set of institutions including the open-list electoral system, party system fragmentation, multiple veto points, the agenda-setting powers of the Presidency and the discretionary resources available to build coalitions. Crucially, this last point connects the economic and political spheres, with the substantial discretionary resources of the developmental state fueling the exchanges that grease the wheels of legislative coalitions. That influence is reciprocal, with firms using a broad array of legal and illegal lobbying and campaign finance activities to influence politics. Here, we see the detailed connections that other analyses overlook, for example how concentrated industries facilitate effective collusion and corruption to purchase political influence, which in turn sustains the regulatory barriers that keep industries concentrated.

Chapter 06 addresses the coordination and disciplining of development policies, or more precisely how those goals have been repeatedly abandoned as they clashed with the pressures generated by the complementarities in the existing system. A large state, coalition bargaining and fiscally opaque policy tools conspire to redirect rents away from performance and innovation incentives and towards protected oligopolies. The failures and costs of the Plano Brasil Maior (Greater Brazil Plan), the Manaus Free Trade Zone, automotive policy and ethanol support are described in excruciating detail, highlighting how a political dependence on incumbent firms, short-term job preservation and coalition maintenance produced enough gains to specific interest groups to entrench these expensive policies permanently while snuffing out any hope of economic transformation.

A book that simply described Brazil's dysfunctions, however well analyzed, would be simply one more in an extensive collection. What sets this book apart is that it documents a political and economic equilibrium which 'simultaneously' blocks economic transformation while generating sporadic but world-leading success in specific sectors. Explaining such complex outcomes is no easy feat, and is made possible by the carefully calibrated theoretical apparatus of institutional complementarities constructed around Brazil's autonomous bureaucracy. While in the rest of the book that autonomous bureaucracy is attributed responsibility for numerous sins, including excessive state intervention, weak accountability and a bias towards incumbent firms, in Chapter 07 its virtues in experimenting with path-breaking policies such as fiscal responsibility, universal healthcare and preventing money laundering come to the fore. Even more profoundly, the author suggests that these limited successes may be crucial to the maintenance of the current system, mitigating its costs, reinforcing the indispensability of the developmental state, and blocking more transformative reforms.

The consequences of these connections between the economic and political spheres are laid bare in the conclusion. Brazil is a society set against itself, each group trying to protect its limited gains and unwilling or unable to agree on policy changes that would generate economic dynamism for all. Decades of hyperactive reform has simply provided more fuel to the machinery of the state to entangle the private sector, and more reason for the private sector to secure its future through politics rather than the market. The tentacles of institutional complementarities across so many domains ensure the remarkable stability of political and economic practices. The solution, for the author, is that reform must transcend any single institution and be sufficiently bold to generate new complementarities that can help drag the system away from its old equilibrium. Given the continuing popularity of the developmental state and the repeated failure of economic reform attempts, however, the author ultimately reverts to the more traditional diagnosis of political scientists - the heart of the system and the first target for reform is coalitional presidentialism.

Perhaps because 'Decadent Developmentalism' communicates so well to so many different audiences and literatures, the reader is inevitably left with a number of unresolved questions. First, the five institutional domains are presented without justification for how they were selected. This omission at best limits the theoretical framework's portability to other contexts, and at worst poses a risk of selection bias. To what degree, for example, do subnational institutions or the armed forces generate additional complementarities (SAMUELS, 2003; STEPAN, 1988)? Are there really no institutional relationships that create tensions, and which might be a source of potential instability? For instance, rather than representing a 'window-dressing' institution that provides cover for renewed state support to dominant firms, might repeated efforts to coordinate development initiatives such as the Plano Brasil Maior not reflect tensions between a directly elected Presidency seeking national impact and a large autonomous bureaucracy? It is hard to know to what degree we are truly in equilibrium without also studying the forces driving a wedge between institutions.

Second, interpreting the current equilibrium as more stable for having survived the polarization and conflict of recent years relies on the assumption that these shocks are largely exogenous. An alternative interpretation might frame Brazil's 'equilibrium' as a series of increasingly wild oscillations, with centrifugal forces so far pulling behaviour back towards equilibrium, but with each swing generating new tensions and deviations that provoke further instability. Interrogating the origins of these shocks from within the existing system would help shine a light not only on the complementarities of existing institutions, but on their simultaneous tensions, imbalances and incompatibilities. For example, to the extent that the PT's rise was a direct reaction to segmented labour markets and weak social protection, and Bolsonaro's a reaction to corruption, weak controls and an autonomous bureaucracy, the ability of Brazil's decadent developmentalism to continue reproducing itself in the future is much more open to question.

Third, too little attention is given to the incentives of ordinary citizens and outsiders, such as the large number of informal workers, and how they are bound into the existing equilibrium, particularly given the widespread support the author documents for the major contours of the developmental state. The vast majority of the complementarities pertain exclusively to elite behaviour. Rather than being co-opted or excluded, citizens are presented as largely irrelevant thanks to the coordination barriers the electoral system creates to holding politicians accountable. Yet, the limits of this argument need to be explored, since multiple studies highlight the power of voters (BOAS, HIDALGO, and MELO, 2019; FERRAZ and FINAN, 2010; ZUCCO JR., 2013) and the growing political incorporation of outsiders (ARRETCHE, 2018). This focus on elite dynamics also manifests itself in the diagnosis of Brazil's challenges as a collective action problem in which choices are 'individually first best, but collectively suboptimal', a generous framing for the majority of Brazilians whose first-best has been to fight for survival while an entrenched elite protects their privileged position. Arguably, the author's evidence of persistent rents points to a distributive problem in which insiders - the politicians, businessmen and bureaucrats at the heart of the developmental state - would have to accept losses - at least in the short-run or in relative status - under any alternative arrangement. This has important consequences since it points to the need to find credible mechanisms of compensation rather than simply to coordinate on a new set of rules.

Fourth, while there is no denying that the author extracts every drop of insight from this country case study by multiplying observations across institutions, multiple institutional relationships, and over time, the power of the conclusions remains restricted by the lack of comparative evidence. Are the complementary pressures between state and market different in kind or just in intensity in faster-growing countries? Do Chile and Uruguay really suffer from less pressure from politicians, surely always eager to avoid oversight, to weaken controls? Does coalitional presidentialism create the same incentives to interfere in the market in Ecuador, Kenya and Ukraine (CHAISTY, CHEESEMAN and POWER, 2018)? Does the fiscal imperative always generate the temptation of fiscal opacity, or can it be the basis of sustainable reform in other contexts?

Relatedly, while the book aims only to explain the long-run economic growth trajectory, Brazilians expect much more for their country. It is unclear, though, whether the same account applies to healthcare, education, or most proximately to poverty? All are mentioned in passing, but Brazil's comparative performance may look quite different against a broader set of metrics. And for precisely the institutional complementarities the author highlights, progress in these areas is likely to be strongly affected by macroeconomic strategies and processes of coalition formation. This leaves unanswered the crucial question of whether Brazilians have opted for a development model that prioritizes social outcomes over growth, or are trapped in an equilibrium that fails to serve them on all fronts.

Fifth, the agnostic 'midpoint' approach taken to the conceptualization of institutional complementarities limits the theoretical precision of the argument. Whether a rule in one domain is raising the returns to adopting another rule in a second domain or compensating for moments of the second rule's weakness is important to understanding their future evolution and the type of shocks that might be able to dislodge them. Yet, on a number of occasions complementarities are described more loosely and in functionalist terms; that coalition politics creates the 'need' for a performing bureaucracy does not identify the actors, resources or incentives that bring that bureaucracy into being. Many systems have a compelling need for a performing bureaucracy. That institutions 'share incentives' does not immediately highlight the mechanism of institutional reproduction, and whether that occurs through support for formal rules, agreement on informal norms, changes in expectations, or the formation of new preferences.

Moreover, the reliance on a behavioural formulation of institutional reproduction in the introduction does not always feel compatible with the examples given in the substantive chapters, where complementarities are grounded in the direct constraints and incentives that rules in one institutional domain have on behaviour in another, rather than emerging simply from the 'mimicry' of congruent behavioural patterns. Firms relentlessly lobby the state for exemptions and protection not because they picked up the habit somewhere else, but because they know politicians' electoral incentives give them good reason to accede to their demands.

These questions suggest there lies ahead a promising agenda for deepening the analysis of institutional complementarities, none of which would be possible without the first steps taken by this path-breaking book. 'Decadent Developmentalism' draws from, but also extends the frontiers of a range of research fields. In the study of the Developmental State it highlights novel channels by which politics constrains economic investments and a welcome focus on explaining firms' political behaviour. In the Varieties of Capitalism debate, it offers a new non-ideal-type of sustainable but unproductive capitalism.

For students of Brazil's political institutions, it suggests that coalitional presidentialism is not just a response to a fragmented party system but more fundamentally to the economic demands of firms in Brazil's development model. For scholars of public policy and administration it delivers a more nuanced assessment of the role bureaucrats and autonomy play in shaping development outcomes, and the importance of public officials' socialization. And for political economists of all shades, it spotlights the risks of a middle-income trap based not on globalized trade opportunities but on historical paths to collective institutional dysfunction. Ultimately, the account is perhaps most impressive as a reminder of the deep contribution political economy can make when it focuses directly on the connections bridging the two spheres.

Revised by Eoin Portela

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