

The State in Latin America

Miguel Angel Centeno

States have a habit of coming back. The heyday of *laissez faire* in the 19th Century was followed by 50 years when all that mattered was the destructive capacity of states. In the subsequent decades, most of social science once again took the state for granted. The left saw it as a superfluous patina to where the real action was, while the right distrusted it. This changed somewhat in the 1980s as the state came “back in”. Yet the triumph of 1989 and subsequent focus on global economies once again obscured the central role of the state. More recently, the collapse of authority in Afghanistan, Somalia, and Iraq has once again made it clear that the state matters.

In Latin America, attention to the state has largely followed the same pattern. After initial attention in the immediate aftermath of independence, most countries focused on the economy for several decades. The state came back with a vengeance in the 1930s, but seemed to retreat again with the rise of neoliberalism. The return of the populist left, the collapse of order in some many cities, and the shocks of the 2008 financial crisis, have once again opened eyes to the critical role played by political authority. This paper tries to situate the state in contemporary Latin America and then explores the origins of its particular construction.

Why should we care about the scale and scope of the state? Obviously the state matters when it is using violence against either its own population or that of another state. Few question the importance of states in times of international conflict or internal oppression. To those being killed in wars or being imprisoned in some form of gulag, the importance of the state is patently

¹ Charles Tilly, *Coercion, capital, and European states, AD 990-1990*, Cambridge: Blackwell 1990; Theda Skocpol, *States and social revolutions*, New York: Cambridge, 1979; Peter B. Evans, Dietrich Rueschemeyer, Theda Skocpol, eds., *Bringing the state back in*, New York: Cambridge University Press, 1985.

obvious. It is no accident that attention to the importance of the state appears to decline during extended periods of peace. But even in the absence of overt conflict, the state fulfils basic roles in areas where its participation may seem contradictory.

First, without states, markets are impossible. For even the most basic markets to work, some authority must exist that guarantees property rights and enforces contracts. States use their control over violence in a territory to guarantee that exchanges can take place with some form of assurance and predictability. Second, without states there can be no citizens and no accompanying rights. It is common to think of the repressive power of the state as limiting individual autonomy and freedom. But that same force also serves to guarantee the basic rights of citizens. Even more elaborate claims such as the Marshallian civil, political, and social rights make no sense without reference to a state. Without a state there are no courts in which to exercise civil rights, without a state there are no organized contests for leadership in which to exercise electoral rights, and without a state those most in need of social protection and support will have to depend on the kindness of strangers.

The importance of states has been made abundantly clear by the East Asian experience of the last few decades. Scholar after scholar has demonstrated that the great successes of the region (and with implicit and often explicit comparison with Latin America) can be at least partly attributed to a developmental state. On the other side of the spectrum, the failure of the African state is a central part of the narrative of economic and social underdevelopment in that continent².

² Chalmers Johnson, *MITI and the Japanese miracle : the growth of industrial policy, 1925-1975*, Stanford: Stanford University Press, 1982; ..Alice Amsden, *The rise of "the rest" : challenges to the west from late-industrializing economies*, New York: Oxford University Press, 2001; Wade, *Governing the market : economic theory and the role of government in East Asian industrialization*, Princeton: Princeton University Press, 1990; Atul Kohli, *State-directed development : political power and industrialization in the global periphery*, New York: Cambridge University press, 2004; Peter Evans, *Embedded autonomy : states and industrial transformation*, Princeton: Princeton University Press, 1995; Thomas Callaghy, *The state-society struggle : Zaire in comparative perspective*, New York: Columbia University Press, 1984.

The Latin American experience sits uncomfortably between these two extremes and because of that, may provide critical insights into the successes and dilemmas of both.

What aspects of states are most important to study? In Latin America, most attention has been devoted to the analysis of democracy or the lack thereof. This paper is more concerned with what Michael Mann infrastructural (as opposed to despotic) power. The latter is about the capacity to give orders; the former is about the effectiveness of how those orders are obeyed³. It is easy to confuse the despotic rule of “strong men” with “strong” states. Latin America certainly has experienced the false promises of state capacity by those who claim that their ability to impose repressive order will guarantee effectiveness. As should now be abundantly clear, building state capacity is much more complicated.

How to measure and analyze the infrastructural power of the state? We can characterize the state as an institution which processes a series of inputs and turn them into the necessary outputs. The basic inputs required by a state can be summarized in three categories:

- *Revenues:* The financial resources required to run the apparatus and to fuel whatever re-distribution may be needed to maintain social peace and to foster longer term development.
- *Personnel:* The often ignored resource required to make the apparatus function in the most effective manner possible.
- *Information:* The state needs to constantly monitor the needs and preferences of its population so as to use its resources most widely.

What should a state produce with these inputs? What are the basic products of a state?

³ For an analysis of the state capacity see “Revisiting State Infrastructural Power”, Special Issue of *Studies in Comparative International Development*, 43, 3-4, 2008.

- *Rule of Law:* The fundamental function of a state allowing for the security of both person and property. In even moderately complex societies this involves more than simple policing, but also requires the capacity to adjudicate between competing claims.
- *Regulation:* The legal embodiment of “class-wide rationality”. Through regulation, the state prevents the avarice of the market from consuming itself .
- *Basic services:* The definition of these is geographically and historically dependent. At some places and times these can be as simple as the provision of roads. Contemporary states need not just produce infrastructure, but also are responsible for basic education and health (at the very least).
- *Defense:* The protection of the national territory from external threats. (This is ignored in the analysis below given its low salience in the region).

Following this basic model, how do the Latin American states perform?

Social Inputs into the State

Revenue

Money is at the key to state strength: without it, little can be done, and yet it requires an already significant state effort to acquire it⁴. It may surprise many to realize that Latin American states are relatively cheap. Compared to the U.S., Japan, and the EU, they tend to spend roughly half of the percentage of GDP as their wealthier counterparts (and a much smaller absolute amount in per capita terms). Yet these states also run consistent deficits. How can these states be both small and broke?

The reason is that, as a whole, Latin America is extremely under taxed. While countries in the OECD receive an average of 32.5% of GDP, in Latin America the figure is 21.1%. This is close to the range for other developing countries, but in general, Latin American economies are

⁴ See Deborah Brautigam, Odd-Helge Fjeldstad, and Mick Moore, eds. *Taxation and State-Building in Developing Countries*. Cambridge: Cambridge University Press, 2008.

taxed below the standard for their individual income categories. A second critical characteristic of the fiscal burden in Latin America is that it is extremely regressive. While the OECD countries rely on income and property taxes for 75.3% of their revenues and on sales taxes for 23.8%, the equivalent figures in Latin America are 41.5% and 42.1% (Latin American countries also rely on royalties, etc. from the exploitation of resources for roughly 16% of revenues).⁵ If we just look at direct taxes as a percentage of GDP, Latin America's underperformance is even clearer. As a whole, these states obtain 3.9% of GDP through direct taxes compared to 6.9% in East Asia, 8.3% in Eastern Europe, and 14.6% in South Africa.⁶

The structure of this burden is extremely unequal. The over-reliance on sales taxes (by nature regressive) and the under-utilization of direct taxes (whether on income or property) leaves Latin America with one of the lowest fiscal equity measures in the entire world. Measures of fiscal equity in Latin America tend to be 1/4th to 1/2 those of developed countries (or 2 to three times more unequal). Unlike in the OECD countries, for example, factoring in government benefits and costs does not significantly improve overall inequality figures⁷.

Some of the fiscal structure may reflect policy preferences, and is not directly relevant to our discussion, but much of it is a reflection (as well as a cause) of state weakness. On the one hand, direct taxes require a much more elaborate state apparatus with a more intrusive and extensive fiscal reach into the society. On the other hand, sales taxes and royalties are relatively easier to collect. Collecting taxes of any kind is hard work; by some calculations, Latin America

⁵ Valpy Fitzgerald, "The Plato Index", Presentation at Essex University (www.valpyfitzgerald.com/shows/essexpresentation.ppt) ; Valpy Fitzgerald, "Direct Taxation and Economic Development", Presentation, at DID Economic Development Seminar, (www.valpyfitzgerald.com/shows/DirectTaxationandEconomicDevelopment.Ppt).

⁶ Jonathan Di John, "Why is the Tax System so Ineffective and Regressive in Latin America?" *Development Viewpoint*, SOAS, Centre for Development Policy and Research, 5, June 2008.

⁷ Fitzgerald, *op. cit.*

fails to collect roughly a third of the tax revenue one would expect based on income, etc.⁸ Even relatively administratively easier taxes such as the Value Added taxes fail to produce the expected revenues and evasion of these may be as high as 50% in many countries⁹.

Within this regional pattern there is significant variation¹⁰. Brazil is the clear leader with a tax burden (as a percentage of GDP) close to the OECD average. Other countries may also have a significant amount of income from direct payments for resources extraction (more than half of revenues in Venezuela and significant for Chile, Ecuador, and Mexico). Other relatively successful taxers include Uruguay, and, surprisingly Nicaragua and Peru (how the money is spent is another issue altogether).

The overall assessment is that Latin American countries do not have the resources needed to perform many of their basic functions.

Personnel

Over and above concerns with simple efficiency, there is growing evidence of the link between effective state bureaucracies and economic growth¹¹. Beginning with the 1980s, there was a considerable push to reform the Latin American state apparatus and the personnel within it¹². The performance of Latin American bureaucracies even after this decades-long effort leave much to be desired.

⁸ Di John, *op. cit.*

⁹ D. Artana, R. López Murphy, and F. Navaja. "A Fiscal Policy Agenda" in P.P. Kuczynski and J. Williamson, eds., *After the Washington Consensus*, Washington: Institute for International Economics, 2001

¹⁰ Eduardo Alduante and Ricardo Martner, "Fiscal Policy and Social Protection". *CEPAL Review*, 90, December 2006, pp. 85-102.

¹¹ Evans and Rauch. 1999. Bureaucracy and growth: A cross-national analysis of the effects of 'Weberian' state structures", *American Sociological Review* 64:748-65.

¹² See Blanca Heredia, "The Political Economy of Reform of the Administrative Systems of Public Sector Personnel in Latin America". Working Paper, Inter-American Development Bank, 2002; Blanca Heredia and Benn Ross Schneider, eds., *The Political Economy of Administrative reform in Developing Countries*. North South Center, 1997; Kolbo Echebarria, ed. *Red de Gestion y Transparencia de la Política Pública*, IADB, Washington, D.C.

We may divide the personnel of the Latin American states into three categories. There is first the military, which while in all cases relatively small, plays significant roles in a variety of fields¹³. While there are some exceptions both within specific militaries and between them, the overall quality is not high. Recruitment is socially regressive and the officer corps is often badly trained and strained by the tasks before them. In the second category we find the “islands” of what we may call “bureaucratic nobility” characterized by a historical legacy of professionalization, and in the cases of the Central Banks, constitutional autonomy. The personnel in many of these meet the highest standards of global mandarins and are considered relatively honest. The third category includes the mass of employees neither wearing a uniform nor in the prestige sectors of finance or foreign affairs. The problems facing the state apparatus are concentrated in this group.

Recent work on the autonomy and qualifications of the general bureaucracy in Latin American countries (the third category above) reveals three different groups of countries¹⁴. In terms of autonomy of the civil service and emphasis on meritocratic accession criteria, Brazil, Chile and Costa Rica are in the clear lead. A second group includes Argentina, Mexico, Colombia, Uruguay and Venezuela. At the bottom we find Bolivia, Paraguay, the Dominican Republic Peru, Ecuador, and the rest of the Central American countries. In terms of functional capacity, once again Brazil and Chile stand out. The middle group is the same as above, but with the inclusion of Costa Rica, and the bottom remains the same. Note the relatively high correlation between these rankings and the capacity to tax; the institutional patterns we are discussing are not isolated from each other.

¹³ Miguel Centeno, “The Reinvention of Latin American Militaries”, *Americas Quarterly*. Fall, 2007.

¹⁴ Inter-American Development Bank, *The Politics of Policies*, Chapter 4, “Cabinets, the Bureaucracy, Subnational Governments and the Judiciary”. Washington: IADB, 2006.

A recent analysis of civil service reform in these countries characterized the major flaws of the majority of poor performing bureaucracies as including absence of anticipation of needs, weak systems of personnel information, lack of training, lack of a remuneration strategy, gaps between official and practical merit initiatives, and protection from arbitrariness¹⁵. To this we may add an environment of clientelism and, worse of all, corruption.

The latter is a particularly pernicious challenge frustrating policy implementation and undermining governmental legitimacy. While overall the Latin American region ranks in the rough middle of countries as measured by corruption, the individual differentiation inside the region parallels the findings above: Chile, Uruguay, and Costa Rica have the cleanest governments while Paraguay and Venezuela are the most corrupt.

The final relevant characteristic of public bureaucracies in Latin America is that compared to the OECD average, they are both relatively small (and thus stretched by their tasks), *and* paradoxically, very expensive. The salaries offered by the public sector consume a gigantic portion of the state's budget (nearly 40% in the case of Latin America vs. slightly over 10% in the OECD). This is partly a function of relatively high wages, but also of the generous pension benefits associated with some positions. The result is a civil service that serves more as system to maintain a privileged employment for some in the middle classes than to provide key services.

Information

States also need information in order to function. One source of data, which has witnessed a remarkable improvement in the region over the past two decades, is the electoral process. We often think of democracy as a political right or an ethical imperative. It can, however, also be

¹⁵ Carlos Ramió and Miquel Salvador, "Civil Service Reform in Latin America: External Referents vs. own Capacities". *Bulletin of Latin American Research*, 27, 4, 2008, p. 562.

considered an invaluable source of information for a state regarding the populations' preferences. If we consider the state as separate from the government, elections allow it to shift leadership depending on the views of the electorate. Even without national changes, local and regional elections often give the central government critical indications of frustrations and preferences.

There is no doubt that Latin America has witnessed a resurgence of democracy over the past 20 years and that the population is now much freer to express its opinions. As a consequence, the region scores quite highly on governance measures of accountability. Less appreciated has been the dramatic improvement in the quality of the electoral machinery itself¹⁶. The creation of independent electoral authorities, the application of technology, the development of automatic registration systems, the cleansing of electoral rolls, and the vigilance of civil society groups, have made the results of elections (if not the elections themselves) much less controversial¹⁷.

In many countries, the electoral bodies are recognized as practically a fourth branch of government. In several cases, these bodies survived even extended periods of military rule (and oversaw some of the electoral dismantling of the dictatorships), and they still enjoy some of the strongest support among the population. In other cases, the creation of such authorities has been a critical stage in the process of democratization. The creation of the Mexican *Instituto Federal Electoral* was arguably the most important step taken against the rule of the PRI. The controversy of the 2006 presidential election were politically manageable in part because of the popular faith in IFE, and its behavior during the debates may have actually increased its institutional prestige. Among the newly democratizing countries, Brazil takes pride of place given its very successful creation of an electronic voting system. Even in countries where the very holding of recent

¹⁶ For the link between electoral outcomes and bureaucratic efficiency see J. Hartlyn and J. McCoy, "Electoral Processes in Latin America", Paper presented at APSA, 2006.

¹⁷ Rafael López-Pintor, *Electoral Management Bodies as Institutions of Governance*. New York: UNDP, 2000.

elections has been controversial, as in Bolivia, the validity of the results themselves has been largely accepted.

A part of that electoral system which could be improved is the availability and legitimacy of the identification cards (*cedúlas*) and the quality of the underlying data systems. All of the Latin American countries have established some form of national identification card. Most have also linked this to some type of national database. The most extreme version of this is arguably Chile's RUT system where a central (and internet accessible) database can provide exhaustive detail of a citizen's life. We know relatively little about the relative reach of these ID systems and the supporting data bases. Data on relative compliance would provide us with an excellent index of bureaucratic and institutional capacity. Anecdotal evidence indicates that the prevalence of these cards is strongly correlated with class and locale (so the urban rich are much more likely to have them than the rural poor).

Similar concerns apply to the quality of censuses. I know of no systemic study of census reach or accuracy¹⁸. Yet, these documents are a critical part of the way that the state deals with the population¹⁹. Some censuses must not only fight against bureaucratic inefficiency, but also political concerns. Agricultural censuses, for example, must tread carefully with questions of tenancy, while the methodological process of counting racial groups remains universally explosive.

Summary of Inputs

In general, Latin American states have a limited link to large parts of their populations. Many of the rich do not pay taxes, while many of the poor avoid them through informality. Large

¹⁸ But it appears that Alberto Palloni and his colleagues may have done some work on this.

¹⁹ James Scott, *Seeing Like a State*, New Haven: Yale University press, 1998.

parts of the bureaucracy are far from Weberian ideals. While even the democratic state may preserve some of its most repressive powers for those on the bottom, it arguably has less information about them. There are clear exceptions to this pattern. Chile, Brazil and Costa Rica stand out at the top and the Central American countries and large parts of the Andes are at the bottom. The case of Argentina, with relative wealth, but very weak state,deserves special mention.

Outputs of States Policies

State of Law

The most visible failure of the state in Latin America is arguably the amount of crime that characterizes many of the countries in the region. This is not to say that the fragility of the state is the reason for the crime rate (inequality, poverty, and the relative attraction of the drug-trade arguably play larger roles). But at its most basic, the high rates of criminality in most of the region indicate a failure of the state's repressive capacity.

The rate of crime in Latin America as a whole is the highest in the world with 4-5 times the rate found in the OECD countries²⁰. Over 40% of the population in the region reported being the victim of a crime in the previous year. In many countries, crime is the most significant concern amongst the population. What is perhaps most striking is the degree of violence in some countries. Measures of violence are higher than in any possible regional or income comparison group. Deaths due to violence are 200% the rate in North America, 450% higher than in Western Europe and 30% higher than in the former Communist block. Among young men, homicide is pandemic. The probability of a young Latin American being a homicide victim is 15-70 times that

²⁰ Following statistics taken from Rodrigo Soares and Joana Naritomi, "Understanding High Crime Rates in Latin America", GDN Conference 2008.

in North America, Asia, or Europe²¹. The explosion in kidnapping means that in many cities even the lower middle-class has to fear for their safety and that ATMs are considered extremely risky (half of all global kidnappings occur in Latin America²²). With few exceptions, large parts of Latin American cities have become “no-go zones”.

There is considerable heterogeneity within the region. El Salvador is perhaps the most dangerous place today. Colombia was for many years considered extremely violent, but the government has been able to limit the reach of both guerillas and narco-traffickers, and the situation appears to have improved. (But this progress may have been paid with an increase of human rights violations by police and military!) In Mexico, drug battles have made parts of major cities literal war zones, while in Brazil, cities such as Rio require military assistance when dealing with major international events. Venezuela’s crime rate has been soaring over the past decade. Most places in Chile and Costa Rica, however, remain fairly safe.

This crime wave threatens the state in two ways. The more anarchic form of crime committed by isolated individuals daily reaffirms the inability of formal authority to control its own territory. The political and economic costs are inestimable, as is the corrosive effect on civic life of not being able to use and enjoy public spaces. Perhaps more worrisome is the organized variant of crime. Almost universally fueled by the drug trade, these “informal armies” have established control over parts of cities and even significant rural territories. These forces, whether the *maras* of El Salvador, the drug cartels of Mexico, or the *Primeiro Comando da Capital* in Sao Paulo, openly challenge the states’ forces and can often defeat them. The apparent Colombian success

²¹ Steven Edwards, “Murder Rate Highest in Latin America”, CanWest News Service, November 26, 2008.

²² Luis Esteban G. Manrique, “A Parallel Power: Organized Crime in Latin America”, Real Instituto Elcano, ARI 84/2006, September 29, 2006.

against the FARC indicates that there are solutions, but also points out the costs and dangers involved in such strategies.

While less visible than the incidence of crime and violence, the “hollowing” out of the general rule of law may represent an even greater threat to the state. This has taken place in at least two forms. The first is the creation of what Guillermo O’Donnell has called “brown zones” where the institutional range and command of the state simply does not reach²³. These zones can be geographical (isolated mountain jungles or a *favelas*) or it can be sectoral (informal economy, private security contracts). The point is that the frontiers of the Latin American state are visible everywhere and to all.

The other worrisome consequence of “browning” is the delegitimation of law as an institution. Justice in Latin America is generally seen as “...*cara, lenta, corrupta y identificada con el poder*.”²⁴ Precisely because of this, the most pressing problems are not resolved before a court or a judge but despite these. Public perceptions of the judicial system are quite low. A recent survey found that 33% had negative expectations of any encounter with the justice system and only 18% expected the fulfillment of the due process of law. Justice is perceived as hardly blind, but always conscious of the status of those before it; 64% had low expectations that “vulnerable groups” could enjoy equality before the law²⁵.

Once inside the justice system, plaintiffs and accused will probably find it difficult to resolve their cases within a reasonable amount of time or to even be able to manage the often arbitrary

²³ Guillermo O’Donnell, “On the State, Democratization and Some Conceptual problems”, *World Development*, 21, 8, pp. 1355-1369. One public survey in the region in 2002 found that nearly 60% of respondents had not had any contact with a public institution in the past year (UNDP, *Democracy in Latin America (Statistical Appendix)*. New York, UNDP 2002, Table 146.

²⁴ Luis Pásara, “Justicia regimen politico y sociedad en América Latina”, *Política y Gobierno*, X, 2, 2003, p. 418.

²⁵ *Democracy in Latin America*, Tables 147c and 148. Interestingly Chile scores badly on these, but some of this may have to do with ingrained expectations of respondents than real difficulties.

processes. One indication of the procedural inefficacy of the prison system is that over half of prisoners in the regional systems have yet to have a trial²⁶. For those caught in the system, respect of their human rights is ephemeral. In many countries, torture remains an accepted police procedure. The state of prisons is universally horrific, except for those who can illegally purchase better facilities or treatment.

In general, the Latin American state's capacity to enforce the rule of law is weak, but with a great deal of intra-regional heterogeneity. One possible indication of its importance is that the distance between the leading countries (Chile and Cost Rica) and the bottom (Venezuela) is highest of all the standard indicators.

Regulation

The World Bank defines its governance indicator "Regulatory Quality" as "the ability of the government to provide sound policies and regulations that enable and promote private sector development"²⁷ For the region we find a general pattern of comparative inefficacy, but with a great deal of regional heterogeneity (with the usual distribution of scores across countries.)

The problems with regulation in the region stem from two different issues. The first has to do with the penetration of private sector interests into public policy. This takes the form of simple corruption, but can also involve a habit of mutual favors between policy makers and investors. The experience of privatization in the 1980s and the 1990s certainly includes many instances of inappropriate relationships and less than adequate separation between public and private interests. To this we may add the often disproportionate weight that major investment *grupos* may have in

²⁶ *Democracy in Latin America*, Table 67a.

²⁷ <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21814712%7EpagePK:64257043%7EpiPK:437376%7EtheSitePK:4607,00.html>

the economy thereby further limiting the capacity of the state to become involved. When it does so, moreover, the Latin American state has a reputation for arbitrary enforcement of regulations, making overall policing generally more difficult²⁸.

An even more daunting problem originates in the combination of bureaucratic ineffectiveness with attempts at over-regulation. Despite decades of reform, the costs of registering property and businesses, as well as the complexity of complying with commercial law, has led many to simply avoid the state through the informal economy. In several countries, 1/3 to half of the labor force is employed in the informal sector (as opposed to 10-12% in the OECD). This can include individual street vendors or the employees of mid-size forms delivering products to multinationals. The costs of this escape from the state is severe in practically every policy issue. Environmental regulations are not obeyed, pension or tax commitments are not paid, and a general atmosphere of lawlessness is encouraged²⁹. The intra-regional range is what we would expect from other data with Chile at the low end with a percentage in the mid 20s and Bolivia with 68% (and 96% of women employed)³⁰.

Service Provision

The past 20 years have seen refocused attention on delivering basic services to the population. The budgets devoted to health and education have increased dramatically in practically every single country in Latin America. Efforts to make delivery of services to the

²⁸ Inter-American Development Bank, *The Business of Growth*. Washington: IADB, 2001.

²⁹ See Miguel Centeno and Alejandro Portes, "The State and the Informal Economy" in Patricia Fernandez-Kelly, ed., *Out of the Shadows*, Penn State Press.

³⁰ ILO, "Men and Women in the Informal Economy", 2002.

poorest have also increased with apparently significant success for programs such as *Progresá* in Mexico and the *Bolsa Escola* in Brazil.

Given the problems with state structures described above, it is surprising to find that at least by the basic UNDP indicators of well-being, the vast majority of Latin American countries do better than their incomes would predict. Exceptions include Brazil, Ecuador, and Guatemala, while Cuba does best relative to its income. While some of these results may have to do with the technical details of the measures used, it implies that despite the faults discussed above, the Latin American state is delivering the basic health and educational services one would expect given its relative wealth. This finding requires much more research to ascertain why the Latin American states (even outside of Cuba) have been able to accomplish these goals.

There remains a great deal of differentiation between the countries of the region (and of course within the countries themselves, but see below). We can focus on a basic measure of state capacity: the provision of sanitation and clean water. The usual suspects of Costa Rica and Chile are close to the top. Those countries with welfare states earliest in the 20th Centuries (Argentina and Uruguay) are also high performers. What is impressive across the region, however, is the fairly consistent improvement over the past 20 years. The reach of sanitation systems has increased from 65% to 75% and that of improved water from 80% to 90%. No country in the region fails to reach less than 80% of its population with something approaching potable water.

If we analyze health measures, the heterogeneity of the region is even clearer as are some of the limits of the contemporary state. Most of the countries have achieved high levels of immunization for 1-year olds (a critical task for any state). Yet, the more demanding job of providing facilities for safe births has not progressed as far and we can see even more intra-regional differentiation. Once again either having a fairly effective state (Chile, Costa Rica) or an early

welfare establishment (Argentina, Uruguay) makes a significant difference with practically 100% coverage. Less developed and poorer states (e.g. Bolivia, Peru, Nicaragua) can only reach 60-75% of their maternal population with skilled care.

The same pattern may be observed if we look at education with, again, wide heterogeneity within the region. Most countries have achieved practical universal coverage primary education (but cases remain of under 90%). Yet many still have the medium term problem of significant adult illiteracy with Central America having the worst measures. Secondary education remains a luxury in many countries, including pockets of wealth such as Chile. Paradoxically, university enrollment is relatively high in the region, but this has come with two significant costs: the degradation of public universities (and their replacement in the status hierarchy by private ones) and the misallocation of education funding from resources for the many to riches for the few (Brazil being the worst example of this as private primary and secondary graduates are rewarded with choice places in the competitive free public universities).

Another critical state role is the provision of the basic power, communications, and transportation infrastructure. A recent analysis by the World Bank indicates that over the past two decades, the region has made some progress, but that it has fallen far behind some other countries in the same income range³¹. The region's transport density is far too low, the quality of most roads is bad, the seaport and airport capacities are stretched, and telephone service is still a luxury for many. The situation in many rural areas is particularly challenging. The intra-regional distribution is as we might expect with Chile, for example, having triple the telephone density of Bolivia, while Argentina has a much better maintained road network than Peru.

³¹ Marianne Fay and Mary Morriso, *Infrastructure in Latin America and the Caribbean: Recent Developments and Key Challenges*, Washington: World Bank, 2002.

Summary of State Capacity

The pattern of indicators reveals considerable differentiation of state capacity within the Latin American region (Table I). In Table II, I have translated these figures into simple dichotomies in order to establish a simple ranking of state capacity. At the very top, we find Chile and Brazil. While the latter has the edge on taxation, the institutional infrastructure of the former appears the most developed in the region. A second group would include Uruguay, Costa Rica, Mexico, and Colombia. A third group would include Argentina, El Salvador, and Panama while the rest of the countries are at the bottom. Due to the absence of data and the very different scale and scope of state functions, Cuba is not included in this hierarchy. On many levels, the Cuban state may be the most powerful of all, but the past decade has certainly seen a “hollowing” of its authority and a weakening of its capacity.

Note that from these figures, state capacity is not a simple function of wealth or size. Perhaps the most interesting case remains Argentina which thanks to its relative wealth and the legacy of previous regimes can claim some excellent indicators of service provision, but whose state infrastructure is hollow and corrupt. On the other side of the spectrum, the Chilean, Brazilian, and Costa Rican cases deserve much closer study.

Explaining the State in Latin America

Analyses of the state in Latin America must explain two different things: first the relative performance of the region compared to other geographical groups and to other countries with similar incomes. Second, we must also begin to understand the differentiation we observe inside the continent. While beyond the purview of this paper, I wish to suggest four possible areas of study.

Historical Legacies

It is first critical to place Latin America into a historical context. As almost all developing countries, Latin America has a long colonial past which in many ways still helps define the region. The legacies of Spanish rule remain in everything from the system of laws to the borders of many of the countries. A second critical historical legacy is the first century of regional independence when liberal dogma may have limited the potential development of the state. Yet a third historical factor has been the relative international peace enjoyed by the region and its possible effect on the need to build strong states³².

While these historical legacies have been used to explain the regional performance compared to the rest of the world, they have been less frequently used to analyze intra-regional differences. To what extent are the differing capacities of states within the region a historical contract? If we were to measure these areas at key moments dating back to the colonial era, would we find a shifting hierarchy or have the strong states always been exceptional? This question is particularly critical for the apparent outliers of Chile and Costa Rica. Within individual countries, do we find clear radical shifts associated with events?

Institutional Quality

It is not just the state as a whole that is fragile in most of the region, but institutions in general. By institutions I mean the organizations and rules which govern relationships in a society and through which social interactions occur. If we broaden our discussion to include non-state institutions a very similar pattern to the one discussed above for the state appears.

³² Matthew Lange, James Mahoney, and Matthias vom Hau, "Colonialism and Development: A Comparative Analysis of Spanish and British Colonies", *American Journal of Sociology*, Volume 111, Issue 5, Page 1412-1462, Mar 2006; James Mahoney, "Long-Run Development and the Legacy of Colonialism in Spanish America", *American Journal of Sociology*, Volume 109, Issue 1, Page 50-106, Jul 2003.

First, overall measures of faith in public or private institutions is relatively low for the region compared to the OECD and East Asian countries. More interestingly, the correlation between the reputation of private and public institutions is very high: those states with respected states also have respected business sectors. Finally, the very same countries that score highest in state capacity, also obtain the best marks when measuring overall institutional quality³³. This is a critical finding for it indicates that the problems faced by the Latin American state do not necessarily flow from its functions or role as a public sector, but rather reflect regional pattern of institutional capacity. In order to better understand this pattern we need much more work on the histories and performances of critical institutions in the region³⁴.

Inequality

It is impossible to analyze the performance of the state without taking into account the underlying inequality that helps define Latin America³⁵. First, the heterogeneity we may find between countries pales compared to the differences in state capacity within individual countries. As a rule, the capacity of the state is higher in the cities than in the countryside, higher in the capital than in the provinces, and higher in the richer neighborhoods than poorer ones. It is very likely that the most significant weakness of the Latin American state in general is its incapacity to deliver services to those parts of the population that may need it most.

Inequality also weakens the state. First, the wide gulfs within a population mean that the state must provide perhaps a too broad array of services. The same institution that has to assure elite access to the global network of education and business, must also be concerned with

³³ See World Competitiveness Report, <http://gcr.weforum.org/gcr/>.

³⁴ See Alejandro Portes and Lori Smith, "Institutions and Development in Latin America: A Comparative Analysis", *Studies in Comparative International Development*, 43: 101-128, 2008.

³⁵ Kelly Hoffman and Miguel Centeno, "The Lopsided Continent: Inequality in Latin America", *Annual Review of Sociology*, 2003.

malnutrition and inadequate health care. The differences in power and influence also mean that those on whom the state must depend for its revenues may also be the ones most able to both escape the states' reach and provide for private replacements for traditional state roles. Thus, the rich not only can avoid taxes, but also can avoid the consequences of weakened states through privatized security, education, and health care.

Globalization

How a state performs is both partially a product of and a critical factor in how an economy relates to the global market. Latin America has a distinct relationship with the global economy: first it is relatively not integrated in it (as measured by the percentage of GDP accounted for by trade) and second, it largely sells the world primary materials. While trade account for 26% of regional GDP and primary goods account for 46% of exports, the figures for East Asia and the OECD are 66% and 13%, and 22% and 18% respectively.

This particular trade pattern may help account for the fragility of the state. The infrastructure needed to sell primary goods to the world is certainly less intensive and extensive than that required by a balanced trade portfolio. Moreover, the ease with which rents can be obtained through the sale of primary products also removes critical incentives for state development and also creates possibly dysfunctional conditions for further development (the "resource curse").

The fragility of the state may also weaken the region's capacity to expand its global role. Lax law enforcement (whether of contracts or public safety) certainly discourages potential investors. Failure to provide basic services and infrastructures does the same.

Conclusions

Based on the data available and almost universal observations, there is little doubt that the state in Latin America lacks critical institutional capacities. Within the region, a great deal of heterogeneity suggests that this is not a simple historical or cultural legacy. We need further work comparing the various cases and individual institutions within them.

