

Book Review: Stephen Haggard and Robert R. Kaufman, *Development, Democracy, and Welfare States: Latin America, East Asia, and Eastern Europe* (Princeton, NJ: Princeton University Press, 2008), 502 pages.

Paths and Trajectories of Welfare Expansion in New Democracies

Yun Fan

Development, Democracy, and Welfare States: Latin America, East Asia, and Eastern Europe is a book worthy of attention. It seeks to examine two fascinating puzzles. The first puzzle is, in the words of Stephen Haggard and Robert R. Kaufman: “Why did governments in middle-income countries of Latin America, East Asia, and Eastern Europe undertake the provisions of social insurance and services in the post-war era?” The second puzzle concerns how welfare systems in these regions have evolved over time. These timely questions are of utter importance to studies of the political economy of young democracies in the rapidly growing regions, especially considering that many economists are now deploring the use of economic output as an accurate indicator of modernity and development. Social welfare, public well-being, and life quality—as reflected in education, health care, and even the “happiness” of life—are nowadays regarded equally, if not more, important as economic output in denoting economic progress.

Combining concepts from Gosta Esping Anderson’s power resource model with institutional political economy, Haggard and Kaufman identify three sets of critical factors to explain the divergence in welfare policies across the three continents. At the most general level, they consider the extent to which critical power realignments incorporate or exclude urban labor and the rural poor. They find that the commitments established through initial political choices created constituencies that have influenced the subsequent pathways of social policymaking. In Latin America, a process of labor accommodation resulted in partial social insurance coverage for the organized urban working class. But in East Asia, where lower-class organizations had long been repressed, social policy choices reflected more the objectives of ruling political elites. In East Europe, on the other hand, the organization and coverage of the old system produced strong shared public expectation about the role of government in

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providing protections, so that socialist welfare legacy can be translated into electoral pressures on governments. In short, Haggard and Kaufman's findings raise critical questions about the socioeconomic conditions under which the interests and mobilization of labor have engendered progressive or regressive impacts on regional trajectories of social welfare.

The second set of factors proposed by Haggard and Kaufman relates to the structure and performance of the economy. The authors contend that high economic growth, at a minimum, creates an enabling condition for the expansion of welfare provision. They find that a narrow focus on economic openness does not capture the determinants of welfare models, and show how development strategies have a crucial impact on the course of social policymaking. Furthermore, the authors argue that the sustainability of development models, economic growth, and fiscal capacity are the important proximate causes of social policy choices. Interestingly, their finding does not cohere with theoretical expectations about economic globalization. As Haggard and Kaufman state, "The effects of globalization on social policy are by no means resolved, but analysis along these lines should not squeeze out equally, if not more, promising lines of economic analysis, most importantly on the long-run fiscal capacity of developing-country governments and the effects of the tax base on the capacity to address the social question" (p.23). Put differently, the effects of globalization are not uniform. The authors conclude that a complete political economy of the welfare state should consider the joint determination of taxes and spending.

Finally, Haggard and Kaufman identify the mediating effects of political institutions as the third cluster of explanatory variables for the differentiation of welfare states. The authors are interested in examining the extent to which democracy and democratization have affected the responsiveness of governments to the poor. Contrary to conventional predictions, however, Haggard and Kaufman argue that regime type is not sufficient to account for social policy outcomes. In fact, they point out that under certain circumstances, authoritarian regimes, too, can produce positive redistributive effects. Against the theoretical expectation that democratic systems provide better institutional mechanisms that encourage redistribution and inclusiveness, Haggard and Kaufman suggest that this premise is conditioned by economic constraints, by fiscal circumstances, and by pressure from organized social actors. While democratic rule does provide incentives for politicians to promise welfare benefits for the poor and vulnerable, it by no means guarantees the outcome of social policymaking.

In terms of the organization of the book, the authors begin by tracing the historical origins of welfare systems in Latin America, East Asia, and Eastern Europe between 1945 and 1980. The first chapter provides a broad overview of the nature of social welfare systems in the three regions. The following three chapters present fine-grained case histories: the expansion of welfare commitments in Latin America (chapter two), the evolution of social contracts

in East Asia (chapter three), and the construction of the socialist welfare state in East Europe (chapter four). Armed with the historical basis necessary for further empirical analysis, the second part of the book attempts to explain the relationship among democratization, economic crisis, and welfare reform from 1980 to 2005. Here, the authors begin their accounts with a political-economic analysis of welfare reforms (chapter five) and move on to discuss the expansion, democratization, and evolution of the social contract in East Asia (chapter six); the economic crisis and social policy outcomes in Latin America (chapter seven); and the legacy of the socialist welfare state in Eastern Europe (chapter eight). Having meticulously considered various hypotheses and explanations, Haggard and Kaufman contend that a path-dependence perspective enjoys greater explanatory power than the standard accounts derived from advanced capitalist democracies. Their analysis demonstrates that the social bargains forged at critical historical junctures have largely conditioned the present manifestations of welfare provision. In the concluding chapter, the authors summarize the main empirical findings in the previous chapters and situate them in the context of the welfare-state literature.

Overall, this book deserves our praise for its many contributions. First, this groundbreaking book represents, to date, the most comprehensive research on the development of welfare systems in middle-income countries. For this reason, it adds a much needed corrective to the mainstream comparative studies of welfare systems in advanced capitalist economies. Second, on a methodological level, this book combines an impressive array of cross-national quantitative data with qualitative historical narratives, exemplifying a major undertaking in the direction of methodological triangulation. Third, Haggard and Kaufman not only explicate the long-term historical processes unique to each region, but also identify patterns for the comparability of the three regions. Additionally, they went beyond that to identify the causes explaining how and why welfare systems evolve over time. In summary, Haggard and Kaufman's work is praiseworthy for its painstaking execution of an empirically robust comparative project aimed at pattern identification—an endeavor crucial for analyzing the three regions once regarded as fundamentally distinct.

Even great books have their limitations, however. Paradoxically, this book's strengths may also represent its weaknesses. Because of the methodological choice of quantitative analysis covering more than twenty countries, sometimes the findings seem like a dry table of latitudinal multivariates and call for the "thick description" needed to link statistical results to actual historical processes. As Haggard and Kaufman themselves are aware, cross-national statistics, however impressive, are inadequate to establish causal relationships. To sort out the causality, the authors have had to rely on historical insights in formulating a path-dependence analysis that can uncover the mechanisms operating in each region. Yet, because much of the focus is on comparing regions, the authors might have neglected significant intraregional differences. For global comparativists, the volume is a treat. For regional specialists, they

may not be convinced that the broader regional mechanisms are adequate to explain social welfare development in individual countries.

Why does the strength of the organized labor movement seem related to the scope of the welfare state in Western Europe, while the repression of the left has encouraged relatively egalitarian distribution of social insurance and income in East Asia? This is one of the puzzles the authors have sought to resolve. Haggard and Kaufman find that in East Asia, repression of the left and labor provided the conditions for policies that encouraged much more egalitarian distribution of social insurance and services. To some extent, their analysis errs in treating development strategy as if it were a factor separate from the type of political institutions and power realignments. They simply take it as a given that the dearth of organized labor and left-wing parties in East Asian countries has remained static during and after the Cold War. One might argue, however, that the relatively egalitarian distribution of social incomes had legitimized the authoritarian regimes' limited social policies and long-term suppression of labor in the first place, instead of vice versa.

Furthermore, although the authors have identified political institutions as the third set of factors shaping welfare provision, their typology is simply dichotomized as either authoritarian or democratic. Other important political institutions such as electoral rules are omitted from the analysis. Recently, Frances Rosenbluth's comparative study of four industrial countries has found that the nature of electoral systems such as the open-list system or single nontransferable vote (SNTV) bears significant consequences on the outcome of childcare policies. While in the concluding chapter the authors briefly discuss the effects of an electoral system on social policies, this institutional variable may merit a more systematic examination for all the newly democratized middle-income countries covered by the book. Lastly, perhaps due to the fact that the authors have covered such a large number of countries, they have failed to detect some minor factual errors. For example, in Taiwan the lifting of martial law was announced by the late president Chiang Ching-kuo in 1987 rather than by his successor Lee Teng-hui in 1988 (p. 226).

Considering its tremendous empirical and theoretical endeavors, however, this book is insightful and will be influential in the annals of comparative political economy. Those who look for the theoretical advancement of social welfare might not be fully satisfied but would be inspired and challenged. For students of comparative welfare states, this book is a must-read because Haggard and Kaufman have set a high standard for further comparative inquiry.