Many Europeans have been surprised to witness the return of Washington Consensus–style policies in the context of the ongoing Eurozone crisis. Comparisons of today’s Troika-led bailouts—imposing the privatization of public services—with the original conditionality clauses imposed on Latin American governments from the 1980s, will no doubt form the content of dozens of future research papers. The time is ripe to look back at the politics of privatization.

It is well known that in the aftermath of the 1980s debt crisis that plagued most Latin American countries, the International Monetary Fund (IMF) and the World Bank agreed on a set of so-called Washington Consensus policies to apply to the region. As part of these policies, governments were encouraged to privatize and liberalize infrastructure, opening these networks up to finance from international investors. At the time, organizations including the World Bank, the IMF, and others assumed that the opening up of infrastructure—formerly a territory for state ownership and control—would allow for inflows of much-needed foreign (and domestic) capital and technical expertise. These policies were presented as panacea to fix Latin America’s aging and underdeveloped infrastructure. Alas, by the 2000s, the United Nations World Investment Report in 2008 pointed out a major flaw in the assumptions of those investing in developing regions from the 1980s: Rather than panacea, investment had been targeted and shaped by profit-making ambitions. Cream skimming had predominated, while uneven investment meant that problems of underinvestment had worsened in some countries and sectors.

This book by Alison E. Post draws attention to a rather different, but also significant, flaw in the assumptions guiding those promoting infrastructure investments in the region from the 1980s. Vernon spoke of the “obsolescing bargain” whereby governments are tempted to renationalize private investment once up-front investment is done, leaving investors without the profits initially calculated. Because it was

References


desired that investment would flow into regions with weak institutional contexts—and into sectors where up-front investment was heavy—investors found themselves poorly protected from the vagaries of host governments’ temptation to expropriate. To facilitate the investment boom, investors needed strong property rights guarantees, making the likelihood of expropriation more remote. As a consequence, the focus of those promoting and participating was to ensure there was a sound legal contract that protected foreign investors’ property rights. This was mostly attained through the signing of hundreds of bilateral investment treaties (BITs). The advantage of BITs—from the investor perspective—was that the investor could take the host government into international arbitration. This remains a contentious development, not least because it privileges foreign firms over governments and domestic firms. Instead of resorting to domestic courts, international arbitration would hear the case and make its ruling. Though the United Nations attempts to collect data on every dispute, transparency is not obligatory and data are therefore patchy.

Post scrutinizes patterns of investment and contract durability in the water and sanitation sector, and comes up with a surprising finding: Foreign-dominated investment was four times more likely to end up with a prematurely canceled contract than investments dominated by a domestic investor. What Post finds is that developing country investors, who typically worked across diverse home markets, enjoyed an organizational structure better suited to take on a more patient, culturally sensitive, and longer-term investment than their international counterparts, the Multinationals. Though the Multinationals were more likely to be specialized in that sector, experiences of locally embedded diverse activities awarded domestic firms a more suitable profile to obtain and then retain a privatization contract in the region. While most of Post’s study focuses on the water and sanitation sectors in Argentina, she does include a study of the same sectors in low- and middle-income countries, too, to test the extent to which her argument travels.

The book is structured into seven parts plus the introduction. The introduction sets out the initial research problem and the major results in a very well-written synthesis. Chapter 1 examines which long-term infrastructure investments hold up in weak institutional environments and argues that informal contractual support—rather than the traditional property rights approach—performs better. In other words, Post sets out a strong link between investor portfolio structure and long-term viability of privatization contracts. Chapter 2 provides an overview of privatization of water and sanitation in Argentina. Chapters 3–6 examine in detail processes by which investor portfolio structure influenced firm preferences and behavior vis-à-vis Argentine governments, and how this panned out regarding contractual durability. All this is examined qualitatively. To test the validity of her findings beyond water and sanitation sectors in Argentine, in chapter 7, Post examines data on premature contract cancellation in water and sanitation across low- and middle-income countries using the World Bank Private Participation in Infrastructure database. She finds that developing country investors have been more successful investing in these sectors in the region than Multinationals as regards contract durability. An important caveat is that Post does not examine to what extent this trend would extend to other infrastructure sectors such as telecoms, transportation, or energy. Her central takeaway: Rather than focusing on legal safeguards, contractual durability can be understood through specific organizational structures that confer informal support for property rights in the developing world. This is a rigorously researched and well-written book of interest to scholars working on the political economy of development, public policy, and international business. Moreover, it has a practical message: Promoters of the ongoing
negotiations on the controversial Transatlantic Trade and Investment Partnership, which puts formal property rights protection and international arbitration first, should take note.

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Leo Huberts’ recent book starts and ends with a moral imperative: “Integrity is the thing to have, for politicians and public servants, for managers and employees in the business sector, for all of us in our personal lives” (1). This statement, which also constitutes the motto of the book, implies that integrity is a neglected and perhaps outdated principle that should be brought back and placed high on the political agenda. Such a call on its own makes this book a timely contribution, particularly in contemporary politics where corruption, fraud, manipulation, and all other forms of integrity violations have become worldwide phenomena. Surprisingly enough, integrity is not only a “scarce good” in the political sphere, but has been largely neglected by academic debates. Considering the above, Huberts’ present work contributes to the limited scholarship on integrity of governance and, at the same time, generates awareness on the significance of a value that should be playing a regulatory role in current politics. Overall, this book is a theoretically grounded study that can be used for both research and pedagogical purposes. It can serve as a practical guideline for politicians, bureaucrats, and all those individuals who are in position to alter the environment in which the public sector operates.

Both content-wise and structure-wise, this work has been formatted to match the style of a handbook. It is comprehensive in terms of covered perspectives, well structured in terms of chapter organization, instructive in terms of the list of figures and tables supplementing the text, informative in terms of the up-to-date empirical research on the issue of integrity and related concepts, and meticulously summarized and synthesized by the author. In the first chapter, Huberts introduces the concept of integrity as a value that contributes to the quality side of governance. In the following chapters, he covers the main perspectives on integrity by bringing together various disciplines and schools of thought (chapters 2 and 3). But as the title indicates, he is mostly preoccupied by the place of integrity within the realm of governance (chapters 4 and 5). Henceforth, Hubert and his coauthors identify the forms of integrity violations in the context of governance (chapter 6), the causes that lead to such violations (chapter 7), and the mechanisms that can be used to fight them (chapter 8). It can be argued that these three chapters deserve the most attention as they analytically address the crux of the problem—namely, integrity as a largely missing value in current governance practices. The final chapter sets the stage for further discussion by focusing on context-based analysis as the most suitable approach for the study of integrity of governance.

It is worth mentioning that Huberts distinguishes integrity from ethics, which are defined as two essentially similar but technically different concepts. Ethics pertains to all stages of policymaking, but is mostly about overall outcomes of the resulting policies. Stated differently, ethics refers to those norms and values that matter particularly when evaluating the policy outputs and the way they affect individuals or societies at large. Integrity, on the other hand, refers to the actual behavior of individuals