



Banking on Privilege: The Politics of Spanish Financial Reform

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ory to analyze the United States capital markets. The remaining articles are a collection of rich social histories and case studies with little if any connection to sociological theory themselves. And the editors do not spend any appreciable time or space developing such connections to give these readings some coherent, unifying theoretical theme.

The book's major strength thus is also its greatest weakness: The diversity of countries analyzed offers the reader a rare ability to compare and contrast different national contexts for the transformation of financial institutions and the consequent changes in their host societies. But the lack of a concluding chapter to tie together the insights of these diverse cases robs the editors of the chance to offer some new insight into theoretical models with which to understand or analyze them. That task is, alas, left to the reader to sort out.

For this reason, the book is most appropriate for scholars who are already steeped in the theoretical models needed to draw conclusions about why the common patterns have occurred (or for that matter, why such commonalities exist at all). The book is not suited for undergraduates, and only appropriate for use in graduate seminars where either the students are already well versed in theory or the instructor is prepared to use the book to develop the theory himself or with the class.

Banking on Privilege: The Politics of Spanish Financial Reform, by **Sofía A. Pérez**. Ithaca, NY: Cornell University Press, 1997. 208 pp. \$29.95 cloth. ISBN: 0-8014-3323-1.

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The study of financial reform has become crucial in debates about structural economic reforms, varieties of capitalism, and globalization, precisely because financial institutions are a central element in the changing nature of the state-market nexus. Pérez presents a well-written, thoroughly researched, clearly organized, and critical analysis of the politics of Spanish financial reform. The Spanish experience is particularly enlightening because it presents several challenges to prevailing explanations of financial liberalization and democratization, and of the

effects of international influences. Comparisons with France demonstrate that economic variables alone cannot explain patterns of financial regulation; rather, it is necessary to study the institutional environment in which financial reforms are embedded.

Banking on Privilege challenges state- and market-driven explanations of financial regulation, and argues systematically for a third explanation alternative to *reciprocal consent* or *mutual accommodation* between the private banking sector and succeeding groups of state elites (public officials), with different political and ideological agendas. Pérez lays out her argument historically, carefully describing how the policy legacies of financial interventionism shaped the politics of liberalization. Moreover, she shows that Spanish financial regulation is characterized by a remarkable degree of continuity in such mutual accommodation, due to the oligopolistic nature of Spanish domestic banks.

According to Pérez, the inflationary origins of Spanish public finance in the first quarter-century—whereby public debt was monetized between the central bank and the new commercial banks (*pignoración automática*)—became the motor of Spanish industrialization through the promotion of investment in industry and the concentration of economic power in the hands of the Spanish banking sector. After the Spanish Civil War (1936–39), Franco established an inward-looking, capital-intensive model of industrialization, and further consolidated the oligopolistic banking sector by allowing cheap central bank rediscounting. In the wake of financial collapse at the end of the 1950s and under international pressures, the Franco regime, with a new cabinet of Opus Dei technocrats, approved the Stabilization Plan of 1959 which terminated *pignoración automática* and aimed to liberalize the economy. Consequently, there was an initial attempt to break the oligopolistic power of banks (1962 Banking Law). Yet due to the fragile regime's domestic political stability, an interventionist financial framework (selective credit allocation) was instituted, with the continuation of cheap liquidity from the central banks. This served the technocrats' objective of providing cheap credit to industry while maintaining an oligopoly in the banking sector. Financial interventionism was maintained while the rest of the economy was liberalized.

The pattern of mutual accommodation is also evident in the late 1960s with the central bank reformers—the second shift of policy-making elites under Franco that would prevail throughout the transition into the Socialist period—who had a clear agenda of financial liberalization, against the legacy of inflationary finance. However, the reformers' attempts to inject liquidity into the economy failed due to private banks' resistance. Not until the transition period (1977), when financial reform became prominent in democratization, did central bank reformers understand that they needed to seek a partnership with the banks to ensure the success of their political agenda. The Socialist victory in 1982 strengthened banks' power by shifting a large part of their resources into public debt to finance the growing deficit. Spain's entry into the European Economic Community (EEC) (1986) highlighted the threat of sudden financial liberalization, which exacerbated financial nationalism. Nonetheless, the financial market was progressively liberalized, allowing the entry of foreign banks, the development of the financial market, and the reduction of the oligopolistic power of domestic banks.

Pérez has demonstrated successfully that Spain is an outlier in terms of financial reform as historical legacies and accommodation of private interests—to assure political stability—were ahead of economic performance. However, two problems with her argument should be noted. First, she fails to account for why Spanish banks possessed such strong power. More attention could have been paid to Gerschenkron's backwardness thesis on the role of banks and entrepreneurial capacities in latecomer nations. Although Pérez uses occasional comparisons with other countries to elucidate her argument, the persuasiveness of her explanation of the Spanish case would be greater had the comparisons with other cases been more systematic, historically informed, and theoretically grounded. Second, curiously, she makes little use of the critical interviews with government and private bank officials conducted as part of her research. A more systematic content analysis of these interviews would have fortified her argument. Apart from these minor drawbacks, this book offers students of comparative political and economic change an opportunity to revise current theoretical thinking about the role of private

banks and central bankers in economic development.

Local Orders: The Dynamics of Organized Action, by **Erhard Friedberg**. Translated by Emoretta Yang. Greenwich, CT: JAI Press, 1997. 311 pp. \$78.50 cloth. ISBN: 1-55938-921-4.

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In this essay, Erhard Friedberg builds on his collaborative work with Michel Crozier, published in English in 1980 as *Actors and Systems: The Politics of Collective Action* (University of Chicago Press), to call for a broader conceptualization of organization theory and for a broader application of that theory to organized social activity generally.

Friedberg makes a compelling case that organization theory can be used to think about all varieties of organized action. He reviews developments in organization theory from the 1960s and 1970s that challenged the three elements of the classical conception of the organization—and that should have broken down the barriers among the study of organizations, political systems, and social movements. Organizational scholars challenged classical assumptions about the instrumentality of organizations, the unitary and cohesive character of organizations, and the boundedness of organizations. By showing that organizations are not especially rational, cohesive, or bounded, scholars set the foundation for bridges to other subfields in sociology. If these elements of the classical model of the organization are not defining characteristics, but factors on which formal organizations themselves vary, then all manner of organized action is opened to scrutiny by organizational scholars.

How might organizational scholars analyze social movements, political systems, and social structure generally? Friedberg contends that organized action occurs within “local orders,” by which he means that roles and interaction patterns are stable and that there is intersubjective agreement among actors about how one can conceivably pursue goals and what particular actions mean. This stability, however short-lived, amounts to a form of social structure that is readily studied with the tools of organizational sociology.