that exclusion and marginalization followed emancipation. This attitude against Brazilians of African origin continued until the twentieth century.

For those economic historians who like explicit hypothesis testing and clear counterfactuals, this might be the wrong book to read in order to understand the economics of abolition in Brazil. The book is not a horserace of the hypotheses that might have led to the abolition of the slave trade and slavery itself. On the contrary, it explicitly argues that it is hard to pick a winner among existing hypotheses and tries to call our attention to slave resistance as another plausible explanation. In the end, economic historians will be left wanting more. For instance, there seems to be a problem of causality (endogeneity). We do not know how much slave resistance actually caused any of the abolitionist legislation or if some forms of resistance were simply fueled by the abolitionist movement in Europe and Brazil. The merit of the book, however, will be as a fun and useful starter for undergraduate students interested in the abolition of slavery in Brazil.

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The Politics of Property Rights: Political Instability, Credible Commitments, and Economic Growth in Mexico, 1876–1929. By Stephen Haber, Armando Razo, and Noel Maurer. Cambridge: Cambridge University Press, 2003. Pp. xx, 382. $75.00, cloth; $29.00, paper; $24.00, e-book.

Referring to the mission of "bringing democracy to the Middle East," President Bush has argued that it cannot be abandoned because the alternatives are unacceptable. The problem is that the historical record does not offer a single example of a country that has moved directly from political instability to limited government. It may well be that first-best is not feasible. Is there a second-best?

In the search for a way forward, Mexico is worthy of greater attention. Plagued after independence by chronic political instability, Mexico's political institutions progressed in the last hundred years from stable dictatorship to one-party government to become, by the end of the century, an inspiring example of successful transition to electoral democracy. Before the appearance of *The Politics of Property Rights*, it would have been difficult to draw a valid comparison from the literature. Many understood the significance, but no one had effectively articulated the institutional underpinnings of Mexico's successful transition to democracy.

The Politics of Property Rights has changed the theoretical landscape of comparative political economy because it fills a gaping hole in the literature. As the authors note, most stable polities do not have limited governments. Yet the theoretical alternatives for explaining political stability, other than limited government, are primitive ideas, such as "political disorder" and the "stationary bandit," inadequate for explaining weak democracies with otherwise fairly sophisticated political institutions. Theirs is the most significant contribution in years to the space that lies between limited government and stationary banditry.

The insight that Stephen Haber, Armando Razo, and Noel Maurer offer comes from applying the new institutional theory of the firm to the inner workings of a stable, nondemocratic government. For a half-century no government could credibly commit to honor investors' property rights. But by the 1880s, Mexico somehow solved the credibility problem and experienced the most pronounced period of investment and economic growth in its history.

The credibility problem was solved by integrating private and public sectors through what they call "vertical political integration," or VPI. The national government, too weak to enforce property rights as a public good, secured its longevity by protecting property rights selectively as a private good. Politicians and private interests thus collaborated to write policies that channeled rents to key asset holders and finance to the government.

Some readers have associated their model with cronyism or "mafia" government, but VPI can account for other kinds of arrangements as well, possibly even in imperfect limited governments. In an early phase, Mexico's VPI may have been little more than cronyism; however, as the selective appropriability of investments developed a "track record," a network of VPI institutions evolved. The crucial test, Haber, Razo and Maurer argue, was the Mexican Revolution. One might expect the original crony network to have unraveled when its shrewd author, dictator Porfirio Díaz, was overthrown. Yet the network of arrangements survived the Revolution. Opposing interests could credibly commit because they held shared beliefs in the long-run benefits of maintaining the relationships that worked well under Díaz. Although VPI was restored, it was also transformed under the Revolutionary government, as popular groups, such as organized labor, were incorporated into the network. Mexican political institutions thereby followed a path from instability to cronyism to a more inclusive set of corporatist political institutions stabilized under VPI rent-seeking arrangements.

The second part of the book constitutes an impressive test of the internal consistency of VPI for Mexico. The empirical analysis consists of a series of industry-level case studies of the leading industrial and financial sectors. Each is a painstaking, masterful application of cliometric methods, supported by a formidable depth of knowledge of the secondary literature on Mexican economic and political history. Detailed evidence corroborates the functioning of VPI arrangements in the sector in question. Variations in enforcement mechanisms and performance are shown to have transaction-cost explanations that reinforce the validity of the VPI hypothesis.

Without mincing words, the idea of "vertical political integration" is a breakthrough, potentially a new paradigm for studying political institutions and their economic consequences. In related research, we have seen a flurry of studies using cross-country regressions that oversimplify such concepts as "rule of law" and "political instability." Game-theoretic applications in comparative political economy often conventionally use majority decision rules to model collective decisions in explicitly nonelectoral political institutions. Haber, Razo, and Maurer in VPI have proposed an alternative way to model collective decisions in political institutions—one that does away with the voting metaphor and yet draws from a well-developed theory of collective decision making in organizations. Furthermore, its implications point the way beyond the oversimplified binary coding of complex behaviors such as "rule of law."

Inevitably, there are many points of detail that will be challenged in future work. Some significant institutions, such as the role of the judiciary, are not fully fleshed out. None of this detracts from its main contribution. *The Politics of Property Rights* offers a new way to think about how governments establish credibility in environments threatened by political instability. It is an innovative economic history of Mexico, but do not be deceived. It is bigger than Mexico. It offers one of the most significant ideas to appear in many years for charting the largely unexplored terrain that lies between the rule of law and the rule of violence.

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