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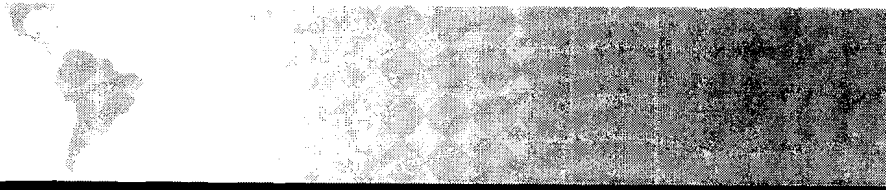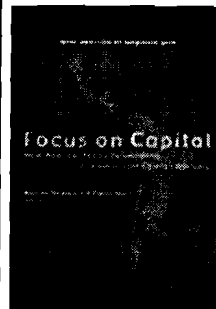
Focus on Capital. New Approaches to Developing Latin Amei Capital Markets. By Kenroy Dowers & Pietro Maci (eds.). Washington, D.C.: The Inter-American Development Bank, distributed by The Johns Hopkins University Press, 2003, p. $26.75.

A quick look at the table of contents of Focus on Capital might lead some to conclude thi just another neoliberal bible preaching converts how to facilitate the accumulation of car Latin America through the adoption of sound macroeconomic policies, strengthening the law and liberalizing capital markets. They will be disappointed because, unlike many rec publications by the Inter-American Development Bank, it does not even address social p and the problem of income inequality.

A close reading leaves no doubt. Focus on Capital is definitely not about wealth distribut just about wealth creation. However, those who read through its pages will realize that F Capital calls for a rejection of what Luiz Carlos Bresser Pereira has called the "second W; consensus", the sole reliance of Latin American economies on foreign savings. Instead, t authors argue that Latin American development has to come from within. Latin Americai societies have to gain control over their own economic growth by developing the ability t mobilize local savings for productive enterprises, thus reducing their dependence on inte capital flows in order to prevent the perverse shocks caused by international capital crisi

The purpose of the book is to provide guidelines for policy makers, regulators and busini people in Latin America to develop capital markets that will reduce their reliance on exte financing. It is written in simple terms to make it accessible to a broad audience, althou; aspects may still be fairly technical. The chapter authors are practitioners, consultants a academics who believe that financial and capital markets are a public good that is vital f economic growth. The point of departure for their recommendations is an analysis of the capital market development in Latin America and the Caribbean. This is probably the bo weakest aspect. Although the authors unanimously agree that capital markets in the reg underdeveloped, very few support their claim with evidence. Andrew Hook's analysis of infrastructure across the region and Mike Lubrano's discussion on corporate governance Mexico and Colombia are the main exceptions. However, some authors base their recommendations on the recent history of capital markets in Europe and, to a lesser ext United States and Canada, while others discuss how capital markets should function in t abstract. This is a major shortcoming that weakens their arguments, because the book a provides policy goals and guidelines, but the lack of discussion on the state of capital m; Latin America leaves the reader with no credible strategy for their implementation in the

context of the region.

In spite of this, Focus on Capital proposes a set of important strategies to develop capitɛ in two stages and suggests roles for the public and the private sectors. The first stage ol should focus on the creation of a legal framework for the development of capital market: second—the book's main focus—should emphasize the increase of market activity and lit broadening investor participation and expanding the types of financial instruments. To a these, the authors recommend development of institutional investors, government and (transparency (through the adoption of international accounting and auditing standards), investment in human capacity (educating government officials and practitioners on how develop capital markets), demutualization (privatization) of exchanges, use of bond mar stimulate the private sector, development of derivatives markets, reduction of tax disinc for equity and non-banking debt financing, promotion of financing for small and medium enterprises and acquisition of the latest technology to facilitate the integration of capital across the region. This is a major recommendation of the book. Given the small size of ɛ economies, the authors call for the elimination of geographic restrictions to the moveme capital across Latin America, in order to develop either a single market or a web of well integrated capital markets.

The authors believe that the challenge is more one of will rather than technical feasibilit\ they recommend a partnership of public sector and private sector actors. This is one of t strongest aspects. To develop this partnership, Osvaldo Agatiello calls for a moral exerci levels of government, industry and individual practitioner (I would add the firm level too regard their material interests in relation to those of society as a whole. He believes thal exercise of morality should lead governments to reject a paternalistic view that regards as the sole leader and should help civil society reject a parasitic approach to the public s The authors in general also encourage the private sector to take the initiative in proposii adopting self-regulation of capital market behavior and they recommend the governmen restrain from interfering in the market, except for protecting the public interest.

While these policy recommendations are quite insightful, many chapters are missing a sl grounded on the realities of specific Latin American markets. If Focus on Capital was an book, this would be a major drawback. However, it is a manual to give policy makers an market practitioners new ideas on how to build capital markets in the region. With this ii Focus on Capital is an intriguing and thought-provoking book for all those willing to expl strategies to help Latin America achieve more autonomous development.

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