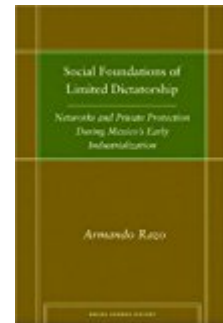


# H-Net Reviews

in the Humanities & Social Sciences

**Armando Razo.** *Social Foundations of Limited Dictatorship: Networks and Private Protection during Mexico's Early Industrialization.* Social Science History Series. Stanford: Stanford University Press, 2008. xv + 246 pp. \$65.00 (cloth), ISBN 978-0-8047-5661-7.

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## The Networked Dictatorship of Porfirian Mexico

Armando Razo has written an intriguing book that should be required reading for all those interested in the history of the Porfiriato. *Social Foundations of Limited Dictatorship* builds on the scholarship of Stephen Haber and others who have interpreted the political economy of the Porfiriato as “a set of informal arrangements” that “blurred the distinction between economic and political actors” (p. 15). Through the analysis of an impressive array of empirical data on the connections among government policies, major Mexican companies, and leading political figures at the state and federal levels, Razo seeks to “uncover the microlevel mechanisms” of cooperation by which economic and political actors sustained the lengthy dictatorship of Porfirio Díaz (1876-1911). In his famous 1908 interview with the Mexican dictator for *Pearson's Magazine*, U.S. journalist James Creelman characterized Díaz as an “unreadable mystery to students of human government.”[1] While Razo does not manage to strip away all aspects of mystery from the mechanisms of Porfirian governance, historians will find his analysis of the economic and political implications of elite social networks both illuminating and provocative.

Razo begins with an intellectual puzzle from recent history. On the one hand, economic historians have emphasized the central importance of institutions in sustaining economic growth. In this view, demo-

cratic systems of governance offer the best legal institutional framework for guaranteeing contracts and property rights. Investors require reliable long-term guarantees if they are to make the commitments necessary to promote growth. On the other hand, Razo notes that “cross-country statistical evidence also indicates a predominance of dictatorships among the fastest growing countries” over the last several decades (p. 2). Dictators can act, in the phrase of economist Mancur Olson, as “stationary bandits” (p. 3). Why, Razo wonders, would investors risk their capital under conditions in which dictatorships can violate contracts, override property rights, and engage in other forms of predatory activity? “If not limited government,” he asks, “what other explanation is there for growth and development in nondemocratic settings” (p. 2)?

Razo's application of social network analysis solves the puzzle by developing a “network theory of private protection” undergirded in chapter 2 by a “series of game-theoretic models that elucidate the logic of private protection under a variety of simple social structures” (pp. 7, 19). Due to their lack of legal constraints and their strong influence over policy, dictatorships “create incentives for both political and economic actors to pursue private policies that provide selective benefits to particular economic actors (as opposed to public policies with universal appli-

cation that indiscriminately benefit a larger group of people.)” Consequently, “economic activity in dictatorships will be based on clusters of protected and concentrated markets, and market power is determined politically via private rather than public policies” (p. 23). Deriving from a web of overlapping private policies, social networks align the interests of the politically powerful with the economically powerful. The resulting political economy favors growth, protects existing asset holders against potential new competitors, and creates a structure of “third party enforcement” that imprints long-term reliability upon the commitments of the dictator. “Networks provide an informal enforcement mechanism,” Razo emphasizes, “that can punish a government’s attempt to prey against individual network members” (p. 52).

Having laid out his theoretical premises in the first two chapters, Razo proceeds to document them in the case of the Porfiriato in the next four chapters. He uses a detailed examination of congressional votes and of military and police expenditures to argue that Díaz consolidated his dictatorship around 1890. During the last two decades, Congress became a virtual “rubber stamp institution” that let the executive increasingly govern by decree (p. 78). Nevertheless, political posts in Congress, the state governorships, and the governmental bureaucracies played vital roles in the multilayered social networks maintaining “third party enforcement.” The considerable overlapping in the memberships of political and economic elites created clusters of influential connections of a local and regional character, large enough in membership to promote development and to check the central power of the dictatorship, but not sufficiently organized to produce any collective action that might threaten central government stability. Razo’s survey of nearly 1,700 officials indicates a stable system of officeholders with long public careers, confirming his view that they were a “key in constraining government opportunism” (p. 113).

Razo argues that the many formal changes that the regime brought about in public policy, such as the revision of commercial law, new bank policies, the promotion of railroads, or the redefinition of property rights pertaining to mines and public lands, were in reality “merely the formalization of private policy making occurring within a network of protected interests” (p. 80). His examination of over five thousand official decrees between 1890 and 1898, the years of most intense economic reform, shows that over 77 percent consisted of individualized measures benefiting private parties. Razo finds thickets of connections among government officials and investors in major enterprises in mining, oil, railroads,

steamships, communications, banking, and manufacturing. Particularly close ties existed among politicians of the dictatorship, finance, and the largely domestic industries that depended on the Porfirian banking system. Razo regards banking as “the backbone of the Porfirian political economy” since Mexican finance remained the province of “a small elite of prominent financiers and public officials.” During the heyday of the dictatorship, “cabinet members and state governors, many of whom were also bankers, dominated access to the corporate boards of banks and other industries, such as manufacturing, that needed credit from the banks” (p. 164).

In the final chapter, Razo summarizes his full argument and briefly discusses its implications for Mexico and for contemporary authoritarian political systems. Here one wishes for a longer book as Razo’s claim that the political economy of postrevolutionary Mexico based itself on the Porfirian system remains more stated than proven. Moreover, here as throughout the book, Razo too readily makes economic development and capital investment virtually synonymous, an equation that many economists would not accept.

Razo has provided historians with many useful insights with which to work, but his engagement with history remains imperfect. He is simply wrong to assert that “conventional wisdom” holds that “Díaz was in complete control of political processes for the whole period” from 1876 to 1911 (p. 69). The book’s bibliography includes Paul Garner’s 2001 biography of Díaz, but Razo’s narrative does not seem to have benefited from it. Anyone familiar with the scholarship of Daniel Cosío Villegas, Charles Hale, or Alan Knight, none of which appear in Razo’s bibliography, would not regard the dictatorship’s consolidation around 1890 as a new finding. Moreover, Razo’s labeling the pre-1890s as a “democratic period” seems silly.

Razo has ably delineated many powerful Porfirian social networks and given them a logic, but much remains to be done to see how the “microlevel mechanisms” actually worked in practice. *Social Foundations of Limited Dictatorship* has left out politics and reduced Díaz to a functional abstraction. Razo argues that “Díaz was deliberately given dictatorial powers by a cadre of influential actors.... Just as they had made him a dictator, they could take away his privileges,” a highly dubious claim given the salience of the succession question after 1900, and the inability of elites to solve their quarrels and maintain order after 1911 (p. 129).

Despite these flaws, the *Social Foundations of Limited*

*Dictatorship* is an original and highly significant contribution to both history and political economy.

[1]. James Creelman, "President Díaz: Hero of the Americas," *Pearson's Magazine* (1908).

Note

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