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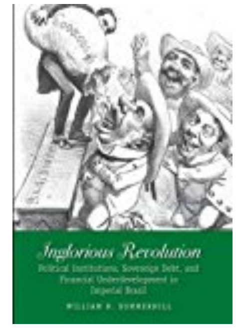
William Roderick Summerhill. ***Inglorious Revolution: Political Institutions, Sovereign Debt, and Financial Underdevelopment in Imperial Brazil.*** New Haven: Yale University Press, 2015. 342 pp. $85.00, cloth, ISBN 978-0-300-13927-3.



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What is the relationship between sovereign credit ratings and the growth of domestic financial markets in a "developing" nation? How do political institutions shape financial development? William R. Summerhill explores these questions in his recent financial history of imperial Brazil.

In ***Inglorious Revolution: Political Institutions, Sovereign Debt, and Financial Underdevelopment in Imperial Brazil***, Summerhill begins with a "puzzle": how did Brazil became a good sovereign borrower in the nineteenth century, and why did its creditworthiness not translate to financial development? He explains that newly independent Brazil presents an outlier in nineteenth-century Latin America, and not just because it opted for a constitutional monarchy over republicanism following independence from Portugal. Rather, Brazil's exceptionalism, in Summerhill's account, stems from how the Brazilian government managed to borrow--consistently and at low interest rates--from both foreign and domestic lenders. While nascent Spanish American republics suffered repeated defaults and were closed off from international credit markets, the Brazilian imperial government's ability to issue debt "increasingly resembled that of far more advanced economies" (p. 12).

The major achievements of Summerhill's ***Inglorious Revolution*** are in how it makes "history relevant to social scientists, while making an explicit political economy approach relevant and useful to historians" (p. 14). This persuasive financial history mobilizes an impressive (and all too rare) interdisciplinary methodological approach, combining archival and printed sources with econometric research methods, including time series and hypothesis testing.

Brazil's "success" with credible public borrowing is the focus of the first five chapters of ***Inglorious Revolution***. Chapter 2 explains that Brazil's commitment to repaying its debts was a consequence of the 1824 Constitution, which granted the lower chamber of Parliament control over public finances. The executive branch did not have the arbitrary and unilateral ability to default on either domestic or foreign debt. In other words, the constitution made the repayment of debt "an explicit civil and political right of Brazilians" (p. 26). Parliamentary deputies--elected by a restricted electorate--were responsive to the interests of creditors because they themselves often held public debt. In chapters 3 and 4, Summerhill presents qualitative and quantitative evidence of how Brazil's commitment to servicing its debt provided the imperial government access to borrowing in the form of bonds issued in London as well as domestic bonds denominated in national paper currency, called *apólices*. Chapter 5 augments this analysis on sovereign debt composition with tests on how political crises and wars impacted Brazilian bond yields. Summerhill shows that Brazil's borrowing costs fell during the nineteenth century. By doing so, he argues that Brazil was *not* defined by financial immaturity and instability, as is often taken for granted by historians, *nor* was the government entirely dependent on foreign loans.

In the second half of *Inglorious Revolution*, Summerhill poses a different question: why did Brazil's fiscal health not translate to a "revolution" in private finance? Herein lies the inspiration for the book's title. Summerhill is in dialogue with Douglass North and Barry Weingast, who proposed that the same political institutions that enforced sovereign debt obligations should "*necessarily* result in the financial development needed to attain modern economic growth" (p. 5). This model is typified in the British Glorious Revolution, when Parliament became responsible for fiscal decisions and established a commitment to sovereign debt obligations and protections for "rights in financial property" (p. 4).In Brazil, however, the government's credible repayment of public debt did *not* promote the development of private financial opportunities, like equity markets, bank lending, or the incorporation of firms. Chapter 6 outlines how the ability to form a corporation was subjected to discretionary government control. Furthermore, while the government was able to borrow at low interest rates, private lending opportunities were scarce and subjected to exorbitant rates. In chapter 7, Summerhill argues that Brazil's financial underdevelopment was not due to lack of domestic demand for capital or business opportunities, but rather was caused by political obstacles. Given the "extreme administrative, regulatory, and political centralization" (p. 184) of the Brazilian Empire, financial policy was weighed down by cronyism, in which political leaders limited competition in the banking sector to serve their private interests.

To conclude, Summerhill shows how the same political institutions that succeeded in building Brazil's public finances ultimately "failed" to promote the sort of financial development that could stimulate commercial expansion and economic growth. Yet even Brazil's success in establishing sovereign creditworthiness proved unsustainable. With the abolition of slavery in 1888 and the overthrow of the monarchy in 1889, Brazil ceased to be an attractive market for London bondholders. In 1898, Brazil's republican government defaulted on its debt for the first time, a recourse it would take from time to time throughout the twentieth century. *Inglorious Revolution* concludes that the erosion of Brazil's reputation as a credible sovereign borrower became a symptom of deeper economic and political troubles, which persist to the present day.

The concluding chapter, however, might have gone further in spelling out the long-run implications of the Brazilian Empire's ability to borrow. What were the social and economic benefits or costs, beyond the financial sector? How did the expanded fiscal capacity of the state impact the role of government in the Brazilian economy? Why did the same political institutions that asserted Brazil's creditworthiness in the nineteenth century not always do so following the collapse of slavery and empire? And how does Brazil's experience compare to that of other nations--beyond Latin America? These questions are fertile ground for future research, opened up by Summerhill's accomplished work.

In all, *Inglorious Revolution* is an innovative contribution to the field of imperial Brazilian history, both for the questions it raises on the relationship between power and wealth in this slave society as well as for its interdisciplinary methodology. This is a book that will especially appeal to social scientists interested in the economic history of Latin America and those who study the institutional foundations of economic development.