cases of conditional lending, where London debt even determined Mexico's commercial policy. The decision to resume debt service could be political, as Mexico strongly needed Britain's support in its war against Texas. On the other side of the table, and contrary to commonly held beliefs, the British government occasionally intervened in favor of investors when its other policies were jeopardized, whether geopolitical, commercial, or monetary. Mexican silver, for example, was in demand across the British Empire.

Now that the world is once again turning its eyes toward sovereign debt, a long-term perspective on its complexity and scope is more than welcome. Salvucci has taken a welcome and meaningful step toward enlightening his readers on the subject of Mexican external debt, and his book will likely become a main reference on the subject.

Juan Flores is assistant professor of economic history at the University of Geneva. He is the author of a number of articles on nineteenth-century financial crises and Latin America's sovereign debt.

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From Windfall to Curse? Oil and Industrialization in Venezuela, 1920 to the Present. *By Jonathan Di John.* University Park: Pennsylvania State University Press, 2009. xvii + 341 pp. Tables, references, index. Cloth, $65.00. ISBN: 978-0-271-03553-6.
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Reviewed by Marcelo Bucheli

In 1976, the Venezuelan minister of mines, Juan Pablo Pérez Alfonso, described Venezuela's oil wealth as the "Devil's excrement." Sheik Yamani, Saudi Arabia's oil minister, said of the impact of oil on his country, "All in all, I wish we had discovered water" (quoted in Terry Lynn Karl, *The Paradox of Plenty* (1997), pp. 2, 187). Scholars, politicians, and officials of multilateral agencies have long debated the question of why countries endowed with an abundance of oil have not been able to use the wealth it provides to achieve political stability and a high standard of living for their populations. Some observers have even called the presence of rich deposits of oil in a poor country the "resource curse," arguing that oil wealth discourages the development of other economic sectors, makes economies vulnerable to the fluctuations of international markets, and creates "rentier states." Rentier states have been described as countries that distribute their oil wealth among a coalition of politicians or political groups through a system that encourages corruption and clientelism, thereby rendering the whole state apparatus inefficient. In her influential book *The Paradox of Plenty*

(1997), Terry Lynn Karl argues that oil made Venezuela a rentier state (with all the negative characteristics that category entails), which became unsustainable when oil prices fell in the 1980s, causing the collapse of the Venezuelan economy and of the country's bipartisan political system in the 1990s. Followers of Karl's thesis find in it a good explanation for the rise of Hugo Chávez and his subsequent election in 1998.

In an excellent study that combines history and political economy, Jonathan Di John, who teaches at the London School of Economics, challenges Karl's rentier-state thesis, arguing that oil is not to blame for the political and economic crisis that took place in Venezuela during the late 1990s and early 2000s. Instead, Di John finds his answers in the compatibility that existed from 1920 to 1968 or in the subsequent incompatibility, after 1968, between the political system and the industrialization policies of the twentieth century. Di John argues roughly that before 1968 (characterized by both dictatorial and democratic periods), the Venezuelan state was a centralized one that promoted a process of import substitution industrialization (ISI), which was financed by oil wealth, before 1960. The type of ISI adopted at that time (which Di John calls the "easy" ISI) subsidized a relatively large number of small companies producing simple goods, such as food and beverages. This system was supported either by military dictators or by a solidly bipartisan system. In both cases, long-term economic policies were decided by a consensus of the two main political parties. After 1960, however, the ISI policy gradually shifted from being "easy" into one that entailed a search by the government for ways to develop complex and sophisticated capital-intensive industries led by a small number of large firms. This decision resulted in a gradual shift in the direction of subsidies from a large number of small firms to a small number of large firms. The system survived until 1968, when a series of changes in political power resulted in Venezuela's becoming more fragmented, and in provinces and decentralized government agencies gaining more independence. According to Di John, decentralized political power transformed the distribution of oil subsidies, resulting in more interpersonal relations between those seeking subsidies and those deciding their distribution. This created a clientelist system, in which the criteria for deciding which companies or industries received subsidies were based more on politics than on economics. The increasing costs of this system led the Venezuelan government of President Carlos Andrés Pérez, in 1989, to adopt a method of shock therapy, whereby the economy was suddenly liberalized and subsidies were eliminated. The results of this policy, which were disastrous, defined Venezuela's political economy during the following years: in February 1989, hundreds of thousands of people rioted in protest. The backlash led to the rise of Hugo Chávez (who, as a strong critic of the neoliberal economic measures, staged a failed coup in February 1992); he was elected president in 1998.

Di John argues that Venezuela did not fit the definition of a rentier state: industrialization increased during oil booms, and the government's levels of corruption and inefficiency were lower during those prosperous periods than they were afterwards. Thus, he concludes that oil was not a curse, and its abundance was not to blame for Venezuela's ills in the post-1990 period.

Among the author's ambitions in writing this book was the development of a theory that would challenge the rentier-state theory and could be applied to situations in other countries. In one chapter, he studies the case of Malaysia to show that a centralized power can oversee oil wealth in order to achieve sustained economic growth and adopt more benevolent policies.

Some of Di John's points might appear obvious to historians. He insists throughout that historically informed studies provide better answers than studies focused on very recent periods. This might not sound like a discovery to readers of *Business History Review*, but it might appear as one to political science scholars, the book's intended target audience. Di John's sophisticated use of political science theory, however, may provide new research methodologies for historians interested in studying similar cases in other countries.

This is a timely, well-written, clear, and rigorous book that will likely become a model for scholars studying the political economy of oil-exporting countries plagued by problems of poverty and political instability. Additionally, it may help to shed light on a number of problems by providing answers to some of Venezuela's economic and foreign-policy difficulties, and to the destabilizing internal threats faced by Middle Eastern oil-producing countries.

Marcelo Bucheli is assistant professor at the University of Illinois at Urbana-Champaign. He has published several articles on oil multinationals in Latin America, and he has also written about the banana industry.

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Shadow of the Racketeer: Scandal in Organized Labor. *By David Witwer.* Urbana: University of Illinois Press, 2009. vii + 322 pp. Illustrations, notes, index. Cloth, $80.00; paper, $30.00. ISBN: cloth, 978-0-252-03417-6; paper, 978-0-252-07666-4.

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Reviewed by Elizabeth Tandy Shermer

Business and labor histories are replete with descriptions of strikes, negotiations, and conflicts between workers and managers. To a lesser extent,