

Book Review

Employment and Development under Globalization: State and Economy in Brazil

By Samuel Cohn

Palgrave Macmillan. 2012. 236 pp. \$100 hardcover.

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How can the government create jobs and promote development? Answers tend to come in two flavors. Some scholars argue that governments can adopt *dirigiste* policies that channel investment and boost growth. Others, more sensitive to the risks of excessive intervention, argue that governments should restrict themselves to defining property rights, setting the rules of the economic game, providing key public goods, and correcting the most egregious market failures so individuals can allocate resources on their own.

In *Employment and Development under Globalization*, Samuel Cohn highlights a third possibility: governments in low- and middle-income countries can spend modest amounts of money to create equally modest service-sector jobs. He calls this mode of action “palliative development” and argues that it is perfectly suited to countries hemmed in by globalization and subjected to hard budget constraints. To substantiate this claim, Cohn examines how the Brazilian government has generated employment in three underappreciated sectors, namely hotels, restaurants, and beauty services (i.e., barbers, hairdressers, and manicurists).

This is a thought-provoking book whose empirical analyses stand on rather opaque methodological grounds. The baseline for the book is provided by a statistical model that uses Census data to estimate how many jobs Brazilian states and micro-regions would have had in their hotel, restaurant, and beauty sectors if the government had not intervened. Next, the author compares this prediction with the employment estimated by models that include measures for different government interventions. The difference between the two is the “residual.” The bulk of the book discusses how the residual—or employment in excess of that predicted by the baseline model—was created.

The book’s main strength is its wide-ranging discussion concerning the different and sometimes unexpected ways that the government can create employment. These discussions cover enormous ground: the book examines the role of new infrastructure, tax cuts, the urban form, vocational training, frontier expansion, and pollution control on employment creation.

The chapter that examines the effect of vocational training on employment is particularly interesting. While many people assume that vocational training helps graduates find jobs in existing firms, Cohn argues that vocational training can be beneficial even when existing firms are not hiring. Specifically, he finds that many of the men and women who study to be barbers, hairdressers, and manicurists convince their friends and family to lend them money so they can get established on their own. Trainees also persuade acquaintances who rarely patronize beauty parlors to give these establishments a try. Thanks to these efforts, newly trained beauticians end up creating their own jobs. This is a counterintuitive finding that illustrates an argument advanced by [Albert Hirschman](#) in *The Strategy of Economic Development* (1958, 5), namely that “development depends not so much on finding optimal combinations for given resources and factors of production as on calling forth and enlisting for development purposes resources and abilities that are hidden, scattered or badly utilized.”

The chapter devoted to the urban form also stands out. The idea here is that governments can foster employment by planning dense cities where new, expensive buildings coexist with older, more affordable ones. Thanks to this mix, small and newly established firms can find a cheap place to rent and acquire other resources they need to thrive. This argument resonates with the claim made by [Jane Jacobs](#) in *Death and Life of Great American Cities* (1961, 187) that “cities need old buildings so badly it is probably impossible for vigorous streets and districts to grow without them.” At a broader level, this chapter deserves praise also for highlighting a relationship that many international development experts overlook. For close to three decades, scholars in this field have agreed that rules and regulations provide the legal substratum that shapes economic activity. Like Jacobs, Cohn pushes this insight a step further and suggests that the physical features of the urban environment—which might include the age and size of buildings, the length of blocks, the shape of the street grid, and the width of sidewalks—can also affect economic opportunity.

The book’s main weakness is its succinct attention to empirical details. Only the chapter devoted to vocational training includes original qualitative data (in this case, quotes from interviews). All other empirical chapters resemble impact evaluations that use Census data to estimate the effect of a given policy on employment. Typically, policy impact evaluations are the province of applied microeconomists who go to great lengths to separate correlation from causation and to demonstrate that estimates are significant, valid, reliable, and robust. In this book, Cohn presents only abridged discussions pertaining to causal inference and results. For this reason, even readers who do not usually scrutinize regression formulas and result tables with a magnifying glass might remain unconvinced that the results are sufficiently sound.

In addition, the book would have been stronger if Cohn had tempered his advocacy for palliative development with some skepticism, or more fully considered the possible downside as well as potential alternatives to this type of intervention. Palliative development seems to have a close affinity for market-oriented reforms that include tax cuts and the elimination of labor, environmental, and consumer protections. As such, it occupies the same conceptual space as other modest development strategies that rose in prominence during the 1990s, such as

microcredit and conditional cash transfers. While these strategies vie to lessen the burden of extreme poverty, they also tend to produce self-employment at low wages, often in the informal sector, with limited prospects for career advancement and minimal multiplier effects. Moreover, they pay no attention to the challenges associated with improving private-sector performance or increasing productivity. Once these qualifiers are put in place, one is moved to ask: Is palliative development really the best or most ambitious strategy that low- and middle-income countries can hope to pursue given the constraints that they face?

Naturally, these analytical weaknesses can be turned into strengths if we treat the book's propositions as an invitation for follow-up research. Seen through this lens, this book makes a significant contribution to the study of government's role in development, and it should be of interest to all those scholars and students who remain keen on asking the big questions concerning the interaction of markets and states.

Reference

- Hirschman, Albert O. (1958) *The Strategy of Economic Development*, *Yale Studies in Economics*, 10. New Haven, Conn: Yale University Press.
- Jacobs, Jane (1961) *The Death and Life of Great American Cities*, New York: Random House.