

*Preferential Option:  
A Christian and  
Neoliberal Strategy for  
Latin America's Poor*  
by Amy L. Sherman

Grand Rapids, MI: Eerdmans, 1992, ISBN: 0-8028-0642-2, \$17.99.

As a Christian economist working in international and development economics, I am truly heartened by the concern many Christians have for the poor. This zeal and the action that results from it are evident both here and in developing countries. However, I have been disappointed by how few Christian scholars writing on the problem of poverty consider the economic issues involved. There is a paucity of understanding of the root causes of economic poverty in the developing world, and instead, a tendency to focus on symptoms. Yet, after forty years of study, economists have much insight to offer Christians on causes, impacts of particular economic policies, and potential solutions.

Amy Sherman's new book is, therefore, a welcome addition to the scholarship on this subject, as it seeks to fill this void. Sherman has set out to change the way Christian development practitioners (and non-governmental organizations (NGOs) in development, in general) think about development, and the way they carry it out. As she says in her epilogue:

For Christians, opting for the poor is not optional; it is a clear command of Christ. But *how* Christians opt—what development strategies they pursue—makes all the difference if the poor are to be served effectively. The bottom line in Christian social concern must be results-oriented policy that actually lifts the poor out of poverty.“

The role of NGOs in promoting development has grown in the last decade, and Sherman sees it continuing to grow. Many Christian development groups, which emphasize a “human-centered“ approach to development, have proven to be effective. This is being recognized by international institutions and governments. Therefore, Sherman believes the influence of Christian NGOs will grow.

**REVIEWER**

*Judith M. Dean is Associate Professor of Economics at the Johns Hopkins University School of Advanced International Studies (Washington, D.C.).*

**Sherman argues that much thinking is still based on theories which are either flawed logically, or have been discredited by the weight of empirical evidence...**

But many Christian groups have misconceptions about development. Citing evidence from a broad range of groups, Sherman argues that much thinking is still based on theories which are either flawed logically, or have been discredited by the weight of empirical evidence over the last thirty years. Examples include: limits to growth, dependencia theory, and the belief that most of third world poverty is due to colonization, multinationals, and/or emphasis on production of export crops. Such misconceptions lead to wrong diagnoses of development problems and erroneous prescriptions for solutions.

Sherman wants to provoke Christian NGOs to change in several ways. First, they need to recognize the importance of macroeconomic and political policies in shaping their own work. Second, they must understand the radical changes in macro policies taking place across the globe. Many countries are moving toward market-oriented reforms in the economy, and pressures are increasing for participatory and democratic forms of government. Sherman sees a responsibility for Christian NGOs to promote these democratic-capitalist, "neoliberal," reforms, as the best alternative for the poor. In addition, she argues that these NGOs should help shape the transition to a market-oriented economy and democratic government so as to protect the poor from short run costs. Finally, NGOs should help ensure that the final product is "holistic development." These new responsibilities will require NGOs to support certain policy changes, develop new institutions, and develop new methods of cooperation with governments to mitigate the "painful social costs of such a transition."

This book lays out a bold and convincing case that the neoliberal strategy is the best alternative for the poor in Latin America because it:

advocates policies to encourage the emergence of a democratic-capitalist macro political economy affirming freedom, participation, accountability,

decentralization, a non-politicized economy, and social mobility.

It then goes on to offer specific suggestions on the new role for NGOs in the transition to this new neoliberal government and economy. Section I presents evidence to support the idea that Christian NGOs need to shed their present theories of development. It also gives a broad definition of "holistic development." Section II describes the statist systems that have prevailed in Latin America, and the history of opposition to "capitalist" economic systems. It then goes on to present the Latin American neoliberal agenda for reform, and its implications for development. Section III examines possible costs of the neoliberal transition, and explicit ways in which the costs to the poor can be minimized. Political, cultural, and religious issues related to the sustaining of neoliberalism are discussed.

There are many reasons to applaud this book. For development, and especially for reduction of poverty, change at the macro-level of developing economies is critical. Christians must understand this in order to be effective development practitioners, even at the micro-level at which most of them work. They do need to shed old ideas which are flawed and at best not helpful to the poor. Sherman gives a good introduction to the implications of economic policy for the poor.

For the Christian who is only familiar with Latin American liberation theologians, this will be an eye-opener. Sherman reviews the nature of the prevailing statist regimes in Latin America, explaining their origins and why they have persisted. She then carefully cites the arguments of numerous Latin American scholars who represent a "different voice." These are the Latin neoliberals, who argue that the option for Latin America's poor is *not* some untried third way, but "a new approach reflecting old principles that have never been seriously tried." They espouse specific policy changes which would move their countries towards market-oriented economies and demo-

cratic forms of government. These ideas are not from “Western” influences. They are indeed espoused by Latin scholars (from a variety of countries) who are taking the economic lessons of forty years seriously.

The reader will be somewhat frustrated, however, when trying to define some of the basic ideas being discussed. “Holistic development” (which is not defined until chapter 2) is said to have four facets: economic, political, social, and cultural/religious. Most would agree that development includes raising the standard of living, making sure these benefits accrue to the broad populace (and not just a concentrated few), individual freedom in decision-making, and some individual control over one’s personal and one’s family’s future. But Sherman adds that Christians should see development as including the promotion of public order: spheres of authority (family, government, community, church) carrying out their separate tasks without interference from others. In addition, it should include the enabling of Christian development ministries to challenge cultures where they diverge from the gospel. These ideas are appealing, but Sherman does not explain why they ought to be part of a definition of development, nor why they should be espoused in particular by Christians.

“Neoliberalism,” the main focus of the book, is only defined in detail briefly in the introduction. The six basic propositions laid out there include some fundamental defining ideas such as: the market is best for carrying out economic decisions; political and economic power should be separated as much as possible; development practitioners should emphasize wealth creation over wealth redistribution; government has a legitimate role in the economy. However, mixed into this is an arbitrary list of specifics, e.g., that government should provide primary health care, and that government should intervene to enhance the human capital of the most vulnerable. The fundamental principles by which neoliberals form this list of specifics

is unclear. Since these are areas where there has been major debate, some reason for these particular conclusions would seem important.

By chapter four, neoliberalism is simply equated with free market-oriented economics. Although the classic (Smithian) role of the government is mentioned, as well as the neoliberal view that government intervention for the poor is critical, neither of these are discussed here at any length. By chapter five, a move to neoliberalism is synonymous with structural adjustment. Again the emphasis is on the economic aspects (alone) of this view. Since the author has made it clear that neoliberalism is much more than economics, more discussion of the other facets is needed.

Some discussion of political dimensions occurs in chapter seven. Here the economic strategy outlined earlier is examined to bring out its implications for democracy. Sherman thoroughly reviews the evidence on whether such reforms can only be carried out by authoritarian regimes. She argues that the failure rate for democracies implementing reform is no different than the rate for authoritarian regimes. In addition, Sherman points out areas in which market-oriented economics is likely to strengthen democratic forms of government.

Sherman also considers whether the neo-liberal economic reforms described earlier are in conflict with Christian principles. She explores the ways in which market-oriented reforms uphold human dignity, freedom of choice, and individual creativity—all important principles emphasized in Catholic social teaching. She also makes clear that the origin of such vices as greed, lust for power, and selfishness—anti-Christian attitudes often associated with market economies—is the sinful human heart. Thus these and many other types of wrong behavior can and do flourish in any economic system.

Given this emphasis on economic development and economic policy, Sherman gives a fairly good presentation

**For the Christian who is only familiar with Latin American liberation theologians, this will be an eye-opener.**

**...Sherman presents analyses which are often too brief. As a result, the extent of debate on an issue is not made clear...**

of what we have learned from forty years of study of the subject—what works and what doesn't. Excessive expansionary fiscal and monetary policy do generate costly inflation. As in the Bolivian case (20,000% annually), this is very costly to the poor. Low producer prices for many agricultural crops (done ostensibly to keep food prices low) tend to hurt the poor, large numbers of whom are farmers. Import substitution industrialization policies have tended to produce inefficient allocation of resources, low returns on exportables (particularly agriculture) where many poor earn their living, and inhibited the development of labor-intensive sectors which would have employed many unskilled workers.

However, in attempting to cover a large range of policies, Sherman presents analyses which are often too brief. As a result, the extent of debate on an issue is not made clear (e.g. terms of trade deterioration), the relative significance of some policy choices is not clear (e.g. ISI trade policy), and some errors occur (e.g. explaining Korea's desire to run a trade surplus). A more thorough, detailed explanation of these issues can be found in the World Bank's *World Development Report 1991*.

In the section examining structural adjustment, Sherman brings out some critical points. As she argues more than once, the costs to the poor of no transition (no structural adjustment), are likely to be much higher than the short run costs of entering into transition. There are, however, costs to transition, and these need to be recognized. Because structural adjustment is so closely related to the "lessons learned" in the previous chapter, some of this material is repetitive. The assessment of who gains and who loses in the transition is important, and deserves to be treated at more length. As Sherman notes, some policies, such as cutbacks in government spending on social services, are often thought of as damaging to the poor. However, this is only true if the poor benefitted from those programs to begin

with. In attempting to look at the impact on the poor, it would have been more helpful if Sherman had chosen an example of structural adjustment (e.g. Chile or Mexico) and presented evidence on what had actually happened to the poor and why.

The role of NGOs in the transition process is to advocate appropriate change in policy and to facilitate compensatory programs which cushion the impact of the process on the poor. Following the work of L. Demery and T. Addison (*The Alleviation of Poverty under Structural Adjustment*, Washington, D.C.: World Bank, 1987), Sherman notes five important elements in poverty alleviation: increasing the poor's access to productive assets; raising the return on those assets; improving their employment opportunities; ensuring their access to education and health services; and supplementing their resources with direct welfare transfers.

What is not brought out is that the first three elements listed will be the *result* of structural adjustment, along the lines described by Sherman. In addition, many of the policies presented as "compensatory" are not. They are actually an integral part of the neoliberal adjustment process. For example, removal of domestic distortions is one of the most important elements in adjustment. The lack of domestic credit for the poor is one such distortion—a flaw in the domestic capital market—and should certainly be part of the overall adjustment process. This is also true of removal of price controls, and elimination of discriminatory legal procedures. Setting up of labor-intensive productive activities should be an outcome of structural adjustment, not something the government must do artificially. Finally, in advocating the establishment of emergency work programs and job retraining programs for employment purposes, Sherman does not explain why these "compensatory" programs would be effective, nor how it could be ensured that they do not work against the goals of transition.

Sherman suggests that Christian NGOs be active facilitators of policies which will achieve the above five goals. This means devising new methods of cooperation with the government, in both design and implementation of programs. Efficient implementation of a program may indeed require that an NGO be the actual deliverer of the good or service. For example, NGOs can facilitate improved access to domestic credit by providing managerial, accounting, and other training to self-employed "microentrepreneurs." They can be efficient deliverers of food aid. They can provide job-retraining programs for those poor displaced from work by the transition.

In both Chile and Bolivia, NGOs succeeded in establishing new forms of cooperation which did help the poor during the transition. These successes suggest that the government remain a funder and regulator of some social services, but increase the degree to which it contracts out the delivery of services to NGOs. Allowing NGOs to evaluate proposals for social projects from community groups, and to allocate government funds to those projects which will best alleviate transition costs, can also increase the effectiveness of those funds. Sherman is careful, however, to outline the problems with replicating the success of these ideas in other countries. The case of Guatemala is instructive in the kinds of political problems that can derail such cooperative attempts. In addition, she warns that Christian NGOs should show discernment in choosing which government agencies to develop partnerships with, ensure the participation of beneficiaries at all possible stages, and avoid compromise of their spiritual vision.

Christians involved in development directly, and all those who care about the world's poor, can learn much from Sherman's book. It is a thoughtful attempt to explore the implications of economic policies for the poor of the developing world, and to propose new ways in which Christian NGOs can raise the welfare of

the poor. Professional economists will find many well-known conclusions repeated here, and will at times be unsatisfied with the level of analysis presented. However, this book makes a valuable contribution, in showing Christians how to make use of the wealth of knowledge from the study of economic development in order to solve the problem of poverty. ■

---

**Christians involved in development directly, and all those who care about the world's poor, can learn much from Sherman's book.**

---