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The Politics of Expertise in Latin America

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Preface

The study of Latin American technocracy has been until now characterized by two main features, which have tended to narrow both the historical and comparative scope of the academic debate. First – and as a result of the general assumption that technocracy constitutes a relatively recent phenomenon – most of the studies have been focused on the post-war period, particularly from the 1960s onwards. Second, a large part of the work on Latin American technocracies has been done on the basis of single-country studies.

This book is the product of the contributors' collective need to look at the process of technocratic ascendancy in Latin America from a much broader perspective, stressing historical continuities and changes, as well as regional communalities and differences. For this purpose, on September 14–15, 1995 the international conference "Technocrats and the Politics of Expertise in Latin America," was held in Amsterdam, bringing together several scholars from Europe, Latin America, and the United States. This meeting was organized and financed by the Center for Latin American Research and Documentation (CEDLA), to which we owe particular gratitude. We are specially indebted to our colleague and friend Arij Ouweneel from CEDLA, who enthusiastically supported the idea of holding this conference and who took personal care of the largest part of its organization. Last but no least, we also want to thank María José Ramírez who skillfully supported the organization of this meeting with her strong sense for detail and fine humor.

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Roderic Ai Camp is Professor of Latin American Studies and Political Science at Tulane University, New Orleans. He is the author of a lengthy list of books and articles on the history and evolution of the Mexican political class in general, and Mexican intellectuals and technocrats in particular. Among his many books one can mention *Mexico's Leaders: Their Education and Recruitment* (The University of Arizona Press, 1980); *Intellectuals and the State in Twentieth-Century Mexico* (University of Texas Press, 1985); and *Politics in Mexico* (Oxford University Press, 1993).

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1 The Politics of Expertise in Latin America: Introduction

Miguel A. Centeno and Patricio Silva

From the Rio Grande to Tierra del Fuego, technocrats are triumphant. Despite differences in the economic and political evolution of the Latin American countries during the last decades, they share one trend: an increasing number of economic and financial experts taking key positions at the highest levels of the decisionmaking process. Called by a variety of names ranging from *técnicos*, *tecnócratas*, techno-politicians to Chicago Boys or technopols, these new actors have come to dominate economic policymaking in a variety of countries since the 1960s.

In the 1990s, their power in these realms is almost monolithic. More impressively, they appear to have increasing control over political as well as technical institutions. Where before the autonomy of these economic experts was often constrained by either military masters or populist politicians, experts now independently determine their nations' fates. This book analyzes these strategic players on the Latin American stage.

This analysis is not only relevant to our understanding of contemporary issues, but also may contribute to the study of Latin American political history. This is not the first time such experts have appeared. Depending on the country, positivist predecessors played important roles in the consolidation of Latin American states in the late nineteenth century (Burns, 1980). Decades later, again depending on the case, they surfaced, often accompanied by U.S. and European "money doctors" (Drake, 1989, 1994a). Although their ideological stripes varied, they played important roles in the creation of Latin American developmentalism in the 1950s and 1960s (Kay, 1989; Sikkink, 1991). Finally, their immediate predecessors were closely associated with the authoritarian regimes of the 1970s (O'Donnell, 1973; Collier, 1979). We believe that a closer look at the respective ideologies and cultural frameworks of these experts will help us better understand these periods in Latin American history.

Given their importance, it is surprising how little has been written in Latin America about experts and their political roles. While some individual country studies of technocratic and neoliberal policymaking exist

(P. Silva, 1991; Centeno, 1994; Conaghan and Malloy, 1994), no systemic and explicitly comparative analysis of these actors has been done. Some may argue that precisely because their rise is so generalized in the region, they do not represent an interesting sociological or political phenomenon. The argument is that experts are in power simply because they are needed and that Latin America is finally making economic and political sense. Conversely, others suggest that the experts are merely representatives or the most visible manifestations of deeper or more structural determinancies; technocrats are not where the action is.

We argue that whatever the merits of their functional necessity or the constraints facing policymakers in the late 1990s, the composition of decisionmaking circles is important. It matters for economic policies in the continent and it matters for the form and content of the new democracies in the process of consolidation. Regardless of the limits of structural autonomy, political elites help define how these constraints are perceived and confronted.

Defining technocrats

Much of the conference on which this book is based focused on the traditional definitional dilemma: who is a technocrat and what does he or she do? We have not enforced a single language or definition since, despite some variance, all the authors agreed on the general and most salient characteristics of the subject of study. The most common view of technocratic experts is as personnel who use their claim to knowledge (as opposed to representation or authoritarian control) to affirm their right to rule. In this introduction, we want to focus on the institutional and cultural context of such claims.

Much of previous scholarly work has focused on the technocrats' qualifications and/or position within a social structure. Relatively little analysis has been done on the manner in which these experts actually govern, or on the manner in which their political surroundings help shape policy outcomes. This book emphasizes the institutional environment in which these experts work. While politicians, at least initially, derive their power from the support of key segments of the population or from participation in organizations which obtain such support, technocrats derive theirs from success in organizational settings far removed from interactions with the population. Politicians may not be liked and respected, but each is identified as representing the interests or aspirations of some social group. For technocrats, on the other hand, such popular support is immaterial as their careers are in the hands of their hierarchical superiors. This implies that it is impossible to separate macro or national political

economy from micro bureaucratic politics. In some, if not all, cases, the latter may be decisive.

Technocratic institutions may be differentiated from their political equivalents because, in principle, they do not directly or nominally involve the representation of particular interests. They are concerned with the formulation of policy for the state as a whole, as opposed to the representation of one segment thereof. Keeping in mind potential limitations on their autonomy, they also derive their power not from the satisfaction of these particularistic demands, but from their ability to fulfill their specified functions (cf. Fischer, 1990). It is also important to distinguish between technocratic institutions and their more limited administrative or technical counterparts. Where the latter are limited to the management of policy implementation in their substantive areas, technocratic institutions have greater autonomy and decisionmaking capacity. They are capable of influencing overall policy formulation and play a major role in determining which alternatives are selected (cf. Evans, 1995).

Technocratic institutions' functional bailiwick may appear technically constrained, but the critical importance of their substantive responsibilities or the centrality of their organizational position allows them to escape the limits of bureaucratic obedience. If technocratic institutions share certain basic characteristics, they differ depending on the political context in which they find themselves. Autonomy and influence will often have little to do with the expertise in and of itself, and much more to do with domestic political configurations and the relative importance of international players. In general, it seems that expertise may make a difference in how power is wielded, but not in how it is obtained.

In this book, we also seek to define how the professional experience of these experts contributes to a political, social, and economic perspective. Borrowing from the new work in economic sociology (Granovetter and Swedberg, 1992; Powell and DiMaggio, 1992) we assert that culture matters and that the cultural frameworks shared by these experts help to explain their actions. In the chapters that follow, a variety of authors define and analyze the technocratic world view or "cosmology" and explore both its origins and consequences.

We suggest that an elite culture links all of the different historical apparitions of expert rule. Whatever their differences, we can define several shared values: prioritization of economic growth over social development, an acceptance of the need for political order, and a reluctance to challenge the social hierarchy. We also note a similar intellectual pedigree: training in economics and/or engineering, extended visits to Europe and the United States, a fluency in international discourses and an implicit (and often

explicit) discomfort with nationalist language. All these components contribute towards the elaboration of an internally consistent policy scheme.

The emphasis on economic growth and the implied inevitability of following the dictates of the international market may serve to legitimate existing social structures. Combined with the rejection of conflict as unproductive and the faith in the ability of expertise to solve it altogether, the technocratic mentality can serve as a powerful ally to those sectors wishing to preserve their advantaged position. Technocratic policy rationales, by dismissing the inherent antagonism between classes or groups as irrelevant, can make social change appear dysfunctional. Most technocrats also share a belief that conflicts can be resolved, or better yet, circumvented, through the optimization of resources. Classes, interest groups, and individuals are in conflict because resources are distributed inefficiently. The integration of their interests through systemic management will eliminate social struggle by improving the lot of all. On the other side, technocratic reformism is and has been a powerful force calling for the dismantling of traditional social structures. The emphasis on efficiency and meritocracy can call into question basic assumptions of how the society should be organized. Several of the chapters discuss the practically revolutionary fervor of technocrats and their wish to recreate societies in their own image.

The current congruence between technocratic rule and neoliberal policy should not be misinterpreted as an intrinsic affinity between technocrats and capitalism. Enough examples exist of leftist revolutions from above (e.g. Peru in 1968) and of more progressive experts (e.g. the ECLA hegemony of the 1950s and 1960s) as to challenge a mono-ideological definition of technocratic culture. More important than specific policy contents or preferences, these men (and very few women) share a set of policy and analytical tool kits (Swidler, 1986) which help determine their definition of national problems and constrain the set of acceptable policy alternatives.

The technocratic mentality encompasses a psychological predisposition towards specific types of rationality and discourse (cf. Galjart and Silva, 1995). Experts legitimate their rule through appeals to the superiority of scientific knowledge. This implies a rejection of the give and take of politics. The objectivity of scientific truth must conquer the subjectivity of interests. Perhaps more importantly, the good of the "whole" must come before that of its individual parts. The central difference between expert and political rule is the permissible discourse in decisionmaking or the set of values or criteria by which different policy options are judged. In a political regime, policies may be proposed or defended by reference to some set of widely held social values or the interests of a particular group;

in a technocratic regime, the only permissible references are to the relative efficiencies of policies. That this set of criteria may in fact be structured so as to benefit a particular group is possible and, in fact, probable. But the public discourse of a technocracy rejects such a linkage.

Perhaps the most powerful of these cognitive predispositions is an epistemological assumption: that there exists a unique and universal policy reality which can be analyzed through scientific methods and regarding which no debate is possible. Within the technocratic frame, there is a faith in the possibility of an optimal solution which all sectors must accept for the greater good. Solutions are not the result of a balance of power between various interests and classes, but are determined through the application of relevant models. Given that there is a truth and that objective cause and effect relationships can be established, politics comes down to determining which policy option best exploits these relationships so as to achieve a particular goal.

Comparative and historical findings

How do the chapters presented below illuminate the institutional and cultural basis for expert rule?

Michiel Baud's essay clearly demonstrates that there is relatively little new about the technocratic phenomenon of the 1990s. Comptean positivism and its adherents were already a powerful force in Latin American thought and politics in the nineteenth century. What is perhaps most striking about Baud's analysis is how many of the same issues (with less explicit racialist overtones) continue to dominate Latin American political debate. Perhaps the most important contribution of this chapter, however, is to identify a critical shift in the arena where experts predominate. Where previously expertise was limited to purely technical tasks, Baud demonstrates how the frustrations of failure led to the intrusion of such professionals into more social or political debates. The campaign to reshape the Dominican tobacco farmer would have its parallels in a variety of countries (including communist Cuba).

Miguel A. Centeno emphasizes the inherent anti-democratic core of technocratic ideology. Using the example of Friederich Hayek, he demonstrates how faith in a particular epistemological model can easily preclude the legitimacy of popular participation. By privileging objective reason, such scientific politics deny the very essence of politics: the representation of particularistic interests and their resolution in some institutional arena. Even those who are most concerned with preserving human liberty appear vulnerable to the temptation to discover a policy truth over which there

can be no debate. One of the unanswered questions from the conference is the extent to which democracies in the region must accept such an ideological and professional cordon sanitaire in order to survive. Certainly the implications of Hayekian political philosophy would call for the institution of what may be most optimistically called "constrained democracies."

Patricio Silva provides a detailed analysis of how some of the more common technocratic ideological attributes are played out in a single biography. Chile's Pablo Ramírez is a particularly interesting case because it would be extremely difficult to dismiss him as a creature of traditional and oligarchic interests. Very much an autonomous political force, Ramírez represents the reformist wing of the technocratic phenomenon calling into question standard approaches to political rule. In doing so, however, Ramírez also reveals a certain impatience with the constraints of democracy. With his faith in incorruptible meritocracy, Ramírez seemed eager to use bureaucratic and administrative means to achieve ends. His impatience with parliamentary procedure (as sympathetic as one may be given his circumstances) would not have appeared out of place in 1973. The case of Ramírez would indicate that technocrats and democratic order have at best an uneasy relationship.

Following these introductory chapters, we present more detailed analyses of the rise and rule of experts in contemporary Latin America.

Ben Ross Schneider's chapter closely examines the link between expertise, economic ideology, and the world system. For Schneider, expertise is not devoid of content. In the end, experts have to sell themselves to power-holders and this process of political marketing will be partly shaped by the ideas held by these experts. Domestic powers, in turn, are not completely free in composing their governments but must take into account the desires and expectations of the global market on whom almost all nations now depend for their fiscal well-being. The rise of experts in the 1980s and 1990s cannot, therefore, be divorced from the ascendancy of neoliberalism. These are not just economists in power, but neoliberal economists who can be expected to send a set of signals to capital markets. In Schneider's reading, the independent significance of expertise is relatively small. What counts is not the content of knowledge, but the signal sent by this expertise to those who really matter.

Following the emphasis on international influences, Pitou van Dijck analyses the role of the World Bank in empowering and legitimating experts in the policymaking process of many Latin American countries. The continuous implementation of structural adjustment programs has helped to strengthen the relative position of neoliberal technocrats who in fact have became the main interlocutors of the international financial

organizations. Each new adjustment program brings new technical complexities with it, demanding the presence of local financial experts with an increased level of knowledge, leading to a kind of deepening in the levels of technocratization of the policy process. Van Dijck underscores the dangers this process of technocratic deepening can present for the consolidation of democratic rule in the region, but he contends that the existence of a relative insulation of technocrats does not necessarily work against democracy. If the accountability of technocratic institutions is guaranteed, and if policies are designed in consultation with representatives of the economic or social sectors involved, this could enhance the legitimacy of the economic policies applied under the new democracies.

Verónica Montecinos agrees with Schneider that the signaling function of expertise is critical and she demonstrates how this type of knowledge has been used in the process of political legitimation by a variety of regimes in Chile. Nonetheless, she contends that the professional affiliation of these elites constitutes a key factor. The fact that it is economists running large parts of the Chilean government does make a difference. Certainly the economistic neutrality fits nicely with what Montecinos calls Pinochet's "missionary discourse." Perhaps more surprisingly, economists have played a prominent role in protecting the post-1989 regime from accusations of politicization. Montecinos provides an excellent description of the process through which experts were able to take over the democratic transition. This empowerment has had its costs, which are beginning to take their toll on Chilean democracy. Precisely because they have succeeded in depoliticizing so much of policymaking, Chilean experts have also contributed to a general disenchantment with politics. This takes two forms: the first is a cultural distancing from a debate that no longer deals with the large questions of national destiny. The second reflects the move away from politics as interest representation and leads to citizens losing their intimate association with political parties. The ambiguous relationship between expertise and the new democracy in Latin America is nicely illustrated in this chapter as the cure to authoritarian dangers may produce new forms of illness.

Catherine M. Conaghan focuses not only on how experts have changed politics, but also how political involvement has altered the economics profession in Peru. Alone among the cases analyzed here, the Peruvian state has not been taken over by experts. They surely are prominent and play a role in defining policy, but they are clearly subservient to the political forces unleashed by the collapse of the Alianza Popular Revolucionaria Americana (APRA). Peruvian economists' only path to power is through the patronage of a political leader with access to government positions.

This dependence has also transformed the profession as public visibility and contacts have become the most important currency in attaining professional prestige. Conaghan's description of the political dependence of Peruvian economists would support those who contend that technocracy is impossible as experts cannot independently sustain their positions. Unable to construct their own political bases, experts will always be appendages.

The conflict between bureaucratic and social bases of power informs Ineke van Halsema's essay on "femocrats" in Brazil. These experts' claim to power is explicitly based on their (supposed) greater knowledge of the best means through which the state can assist women. This knowledge, however, is often based and legitimated through political activity at the grassroots level. This creates a particularly difficult situation for these elites since they are, almost by definition, on the dividing line between state and civil society. The manner in which the composition of femocrats in Brazil has changed and the accompanying institutional transformations do indicate, once again, that the independent power of experts is limited to their institutional situations. Van Halsema's study also illustrates the basic conflict between popular, interest-based groups and the kinds of responses favored by a bureaucratic state apparatus.

Carlos Huneeus also focuses on the interaction between political strategy and expertise. He contrasts the fate of two very different moments of expert influence: Argentina under Alfonsín and under Menem. As Huneeus makes clear, two critical factors help influence the relative success of experts in power: the internal dynamics of government and the amount of popular support that government can expect. The first has to do with access of experts to ultimate decisionmakers, the number of competing policy claims, and their ideological unity. The second has to do with the ability of any government to follow often politically dangerous recommendations. Huneeus emphasizes that the role of experts must be understood in a wider political context.

This context is precisely what Roderic Camp describes in his analysis of the Mexican technocrats. Camp is concerned with explaining the institutional and political structures that allow experts greater influence or even (in the case of Mexico) considerable control over policymaking. He lists nine factors, but the most important message is that without the right type of institutional channels which allow a form of bureaucrat to gain power, experts will always be limited to servicing either popular politicians or military leaders. As these conditions have changed in contemporary Mexico, so has the urgency to create more participatory mechanisms. Camp analyzes the most recent work of technocrats as they attempt to create a new Mexican political order, but he remains uncertain as to their success.

Some persistent questions

Despite the research advances of these chapters, there remain several unresolved issues regarding expert rule in Latin America.[1] This is not surprising given the relatively young age of "technocratology" in the region.

In the first place, there remain important definitional problems, as many terms such as technocrat, technician, expert, techno-politician, political technocrat and technopol are used in an interchangeable manner, without being clear why so many terms are required to indicate one single actor. More comparative work is needed in order to locate key common characteristics among technocrats. The conference made clear that there are many commonalties but also many differences from country to country.

More attention must be given to the relation between technocrats' power and autonomy. The chapters in this book are divided as to the relative independence of experts and their relative power. We need to clarify the conditions which guarantee technocratic autonomy and those which impose limits on their influence. For example, in our studies, technocrats were found to be particularly influential under two very different circumstances. In Mexico, the extreme stability of the system allowed internal players to establish a great deal of control. But transitions such as the Chilean of 1989 also seem to produce special conditions that enhance the relative autonomy of technocrats in charge of the economic policies. A related issue is the possible effect of increasing integration on the power of technocrats. Certainly the example of the European Union would indicate that such agreements will give a great deal of power to experts. Will the North American Free Trade Association (NAFTA) and Mercosur have the same effect?

The relationship of technocrats to politicians and political parties seems to be much more complex than has often been assumed. All participants agreed that this is always a tense relationship. In the 1990s, however, we may see greater mixing of these two types requiring a reconsideration of the relationship of experts to popular politics. We note that experts in Argentina, Chile and Mexico were very good at playing organizational games, but there are also examples of failure (Peru, Brazilian femocrats). We also need to investigate the causal relationship between the rise of technocrats and the apparent crisis of almost all political parties in Latin America. Which is responsible for which?

We as yet have little information on the relationship between state technocrats and experts in civil society. The relationship between these trends has been the subject of much study in the United States (Brint, 1994), but we know relatively little about the parallel technocratization in business, to cite one obvious example. We also know next to nothing about popular

attitudes toward the technocrats. Anecdotal evidence indicates a great deal of opposition to many of the policies with which they are associated, but at least in Chile they seem to be perceived as guardians against the return to the ideologization of politics in the 1970s. We certainly do not posses comparable time series data on the rise and fall of popular support.

Finally, it has become clear that question of technocratic ideology remains perhaps the most difficult issue in the current debate, demanding a more elaborate analysis of the specific set of ideas and ideals which guide the action of Latin American technocrats. One theme that practically all authors and conference participants emphasized was the problematic marriage of expert rule and democracy.

Technocratic democracies?

Since the 1980s, Latin America has experienced a democratic revolution. Yet the new democracies are very different from the standard of not long ago. In the 1990s we have seen the virtual disappearance of populist parties (e.g. APRA in Peru) or their transformation into political organizations with a modified ideological and doctrinal orientation (e.g. the Partido Revolucionario Institucional (PRI) in Mexico). In some extreme cases, like *peronismo* in Argentina, the main features of the political movement have been transformed beyond recognition. For this reason, the democrats who have succeeded the authoritarian rulers are quite different actors from their counterparts of the 1960s and early 1970s.

The fact that this process of democratization has occurred at the same time as the increasing domination by technocrats has called into question the relationship between expert rule and popular participation. The elective affinity between technocrats and authoritarian regimes has been often noted (Collier, 1979). Certainly the historical record in Latin America indicates that experts have some affinity with authoritarian rule. Porfirian Mexico remains the prototypical example of a positivist regime. The *ingenieros* of Ibáñez and the money doctors of Kemmerer found it easier to work with dictators than with democrats. In the 1960s and 1970s, economic experts gladly joined hands with generals throughout the continent.

In the 1990s, however, the coexistence of these experts with the institutions of representative democracy has made the application of old regime categories impractical, imprecise, and often deceptive. No one would argue that 1988–89 has not changed Chile or that Brazil and Argentina have not become more democratic in the past few years. However, we may wish to ask whether they have become less technocratic.

We would like to suggest that the past decade has seen the need for a new political morphology in which political and economic characteristics

are blended in new ways. Specifically we would like to discuss the appearance of what may be called *technocratic democracies*. The combination of the formal institutions of representative democracy with the effective control by expert elites may provide a much needed conceptual clarification to the process of democratic transition in Latin America.

In technocratic democracies, elected representatives still have nominal control over the final decisionmaking, but the framing of policy alternatives is largely in the hands of experts. That is, some degree of interest representation remains and elected representatives retain a veto over government policies, but these have become so complex as to prohibit debate on all the points covered within them and require a level of comprehension beyond the capacities of the majority of the population. Simultaneously, the qualifications for becoming a politician increasingly include at least informal acquaintance or association with the language of economics. In the most extreme case, the distinction between technical experts and politicians disappears as the former establish their dominance over all political institutions.

There are a variety of paths to technocratic democracy. In the case of plutocracies, external authorities may impose new economic rationales and political respectability (e.g. El Salvador). More politically oriented authoritarian regimes may see the rise of a cadre of experts through internal channels (Mexico) or have the new order imposed following the collapse of the *status quo ante* (Eastern Europe). Democratic regimes may also increasingly find their policy choices constrained by what is technically feasible. Certainly in Western Europe and the United States, politico-economic choices appear to be increasingly limited. Of greatest relevance to our case, several of the Asian Tigers (such as Taiwan and South Korea) have increased at least nominal or institutional manifestations of democracy while maintaining considerable control by expert cadres (cf. Haggard and Kaufman, 1992, 1995).

Technocratic democracies depend on the existence of a relatively wide consensus regarding the basic values of the society. This frees technocrats from having to manage precisely those ideological questions which cannot be dealt with scientifically. For example, technocrats are capable of managing debates on tax rates, but they are less able to rule in a setting where the concept of private property remains problematic. This does not preclude public debates about other issues (again, for example, human rights). But it does imply that certain items are, for all intents and purposes, off the public agenda.

This consensus is precisely what we may see developing in Latin America during the 1990s. With spectacular unanimity, all the countries in the continent now share what John Williamson has called the Washington Consensus, which prioritizes free markets, private property,

and globalization (cf Haggard and Webb, 1994a). Political opponents no longer argue about different visions of society, but compete over their qualifications and capacity to play the global market game. Lula spent much of his 1994 presidential campaign reassuring private capital and extolling the patience of Brazilian labor while Fernando Henrique Cardoso basked in the approval of the Council for Foreign Relations. Carlos Lage emphasizes the discipline of the Cuban work-force while Cuauhtemoc Cárdenas in Mexico stresses his support for NAFTA. The ex-Chilean Minister of Economic Affairs Carlos Ominami praises the dynamic role of the markets and Pérez de Cuellar becomes the "progressive" candidate in the latest Peruvian elections.

This consensus is not only critical to the development of democracy in the Latin America of the 1990s, but cannot be understood without reference to the politics of expertise. Without getting into old arguments about the relative values of bread and ballots, we want to ask how the ever-increasing dominance by expert knowledge has both encouraged this latest wave of democracy and limited its real participatory potential. By constraining the choice of alternatives, expert rule has made democracy safe for neoliberal policies. That is, democracy is no longer feared since its outcomes are increasingly predictable. In this way, the dominance of the neoliberal paradigm and the predominance of expert authority has freed the continent (at least temporarily) from authoritarian rule.

We remain concerned, however, for the long term basis of democracy in Latin America. Precisely because these policies involve sacrifice and scarcity for significant segments of the population, technocratic rule and neoliberalism may undermine the long term viability of these regimes. Army coups in Caracas, urban disintegration in Rio de Janeiro, and rebellion in Chiapas all serve to indicate that experts cannot expect to rule without either authoritarian guards or popular support. The latter requires that greater attention be paid to the social and political costs of economic efficiency. The former means a return to the bureaucratic-authoritarian state. The belief that technocratic domination can come without blood and without compromise is the true fatal conceit of the late twentieth century.

Notes

1. We owe much of this analysis to the valuable summaries provided by Verónica Montecinos and Cristóbal Kay during the closing session of the conference.

2 The Quest for Modernity: Latin American Technocratic Ideas in Historical Perspective

Michiel Baud

INTRODUCTION

Research on technocrats in Latin America tends to focus on contemporary examples. Yet the technocratic phenomenon has roots that go back to the late nineteenth and early twentieth centuries. In this period, many advocated some sort of technocratic rule, and many Latin American governments included personnel which were specifically selected for their technical expertise. Large infrastructural projects in most Latin American countries resulted in a constant need for technicians, particularly engineers. They were not needed for their political capacities or social understanding, but constituted the necessary instruments to reach the sacred goal of modernization. The unrelenting desire to modernize their societies led Latin American elite groups into the arms of technical men. The technocratic phenomenon in this period is characterized by an ideology in which rationality and technological expertise were seen as the prime instruments for the solution of societal problems.

These technicians symbolized the generally accepted conviction that Latin American society could be "engineered." After a prolonged period of post-colonial frustration with the impossibility of accomplishing rapid change, politicians in late-nineteenth-century Latin America turned to science for solutions. The technocrats of this period, of which the Mexican *científicos* became the most renowned, were expected – and presented themselves as being able – to fulfill these new hopes and aspirations (Hale, 1988, 1989; Safford, 1976). Sometimes these technocrats were incorporated into the state apparatus, as in the cases of Mexico and Chile, but in other countries they remained largely outside of it. In these instances, their

political role was less important than the manner in which their expertise helped shape the economic development of Latin American societies.

In this chapter, I analyze the contents of this quest for modernity in Latin America. It focuses on a basic contradiction in these early versions of the technocratic discourse. The principal goal of these politicians and technocrats was to bring about radical changes in the fabric of society, but at the same time they feared the social dislocation and disintegration which often were the results of these changes. To a certain extent, they wished to maintain traditional society while moving it towards modernity. I focus on the different, and sometimes contradictory, ways the advocates of modernity tried to solve this problem. This can best be done on the basis of concrete examples. I will therefore make use of two short case studies from the Dominican Republic to make clear that these solutions changed over time. I also argue that it is almost impossible to find an all-encompassing definition of the technocratic phenomenon in the late nineteenth and early twentieth century. The technocrats of this period were a mixed lot with widely different backgrounds, interests and social origins. What bound them was a relentless belief in the potential of technology and scientific knowledge to reach the goal of modernization and development.

THE QUEST FOR MODERNITY IN NINETEENTH-CENTURY LATIN AMERICA

El progreso was a sacred goal in nineteenth-century Latin America.[1] Politicians and intellectuals were appalled by the scant use their societies were making of the rich potential for economic development offered to them. Conservatives as well as Liberals considered it absolutely necessary to develop their countries' potential wealth.[2] As the Dominican intellectual José Ramón López succinctly pointed out in 1896, "no nation has the right to take possession of a piece of land and then leave it unproductive for civilization, for progress..." (López, 1975: 62).

While the goal may have been unequivocal, the way to reach it provoked more debate. Latin American elites were strongly divided as to the instruments of progress. This was the result of the widely divergent ideas intellectuals and politicians held as to the origins of the continent's backwardness. Some emphasized economic and social backwardness, others the "disastrous" mixing of the races, and still others inadequate technology, and so on. There were also different and sometimes contradictory economic interests within the elite. The principal problem was that modernizing society inevitably meant partly to uproot it; development is a

creator and a destroyer of values (Goulet, 1992: 467–75). The freeing and mobilizing of labor to be utilized on new capitalist enterprises or infrastructural projects led to social disintegration and unrest in rural communities. The construction of railways, for example, caused dramatic changes in patterns of landholding and the destruction of traditional production areas in favor of others. Improved means of communication also opened society up for new, potentially subversive ideas.

The Latin American elite was very fluid during this period of capitalist expansion and groups held widely divergent ideas as to the preferred road to modernization.[3] Regional interests fought each other for control of the state apparatus. Native landowners competed with foreign-owned plantations over the control of labor. Members of the traditional elite lamented the loss of old values and resisted innovations. The creation of large-scale enterprises often collided with the development of a prosperous rural sector of native producers. While the administrative elite favored the former, provincial elites tried to preserve and slowly adapt rural society, so as not to endanger their dominant position. It is significant that rural elites often ended up defending traditional peasant production which belonged to the "old order" from which they derived their social position.[4]

This situation accounted for ambiguous forms of state intervention. On the one hand, the young Latin American states were too weak and loosely organized to harmonize contending interests. On the other hand, the state was expected to assume a new and active role. Liberal ideology may have pursued the free development of economic forces and preached the state's non-intervention in economic matters, but most liberal reformers accepted the fact that Latin American society was not yet prepared for a restrained state (cf. Topik, 1980: 608ff). On the contrary, they were convinced that the Latin American governments had to take the responsibility for the creation of the preconditions for economic growth and progress. It was the ultimate paradox of Latin American liberalism in this period that so much state intervention was required to bring about the free interplay of the economic forces and to promote economic growth.[5]

It might well be that this paradox is the principal explanation for the great influence of positivist ideas on Latin American modernization ideologies.[6] Although there were varying interpretations of what positivism essentially meant, there is no doubt that the ideas of the French philosopher August Comte (and, to a lesser extent, of Herbert Spencer) had a dramatic impact on Latin American social thought. Probably nowhere in the world did European positivism become so popular as in Latin America.[7]

Positivism became the core of intellectual and political thought in late-nineteenth-century Latin America, reaching the culminating point of its popularity in the period 1880–1920.

Latin American elites were, above all, attracted to positivism because it entailed the belief that there was no problem confronting society which science could not solve. Comte and his followers held that the world was organized according to laws of social development that could be discovered and manipulated by rational thought and study. His particular concerns were those of order and progress. Reflecting the spirit of his age, the ideas of Comte contributed to the belief in rationality and scientific investigation as a way to increase the collective welfare of humanity (Jorrín and Martz, 1970: 121–29 *et passim*; Adas, 1989: 199ff).

Although it was imported from Europe, Latin American positivism had its own characteristics. Ardao has stressed the fact that in Latin America positivism anticipated scientific culture, instead of resulting from scientific thought as in Europe, and that this led to a chasm between positivist theory and practice (Ardao, 1963: 517). Many Latin American positivists maintained that their societies had not yet reached the stage of development in which complete individual freedom was possible. Nikita Harwich has suggested that positivism in Venezuela called, before anything, "for a project of authority capable of imposing order so as to overcome the state of chaos, but one that might also lead to modernity as a result" (1990: 343). This observation emphasizes the two elements of Comtean ideology which appealed especially to Latin American elites. First, the idea of a government that consisted of capable people and was unpolluted by political bickering and civil strife and, second, the promise of a society which would be led to development and modernity by a rational, scientific culture. Nachman, following Zea, stresses the conservative elements within Latin America positivism. Its appeal was based as much on continuity and order as on change (Nachman, 1977: 6–7).

Positivist ideas in this period were characterized by the conviction that the methods of science could be applied to political and social problems. This general statement should not make us forget that internal conditions in individual countries led to a variety of different applications and interpretations of positivist thinking (cf. Jorrín and Martz, 1970).[8] Positivism could lead to conservative as well as progressive politics. James Henderson has shown to what extent the ideas of a religious conservative like the Colombian politician Laureano Gómez were based on positivist principles (Henderson, 1988). In Brazil positivism became virtually the official philosophy of the nation. Comte's "order and progress" became the country's official national motto. Brazilian positivists offered solutions

to problems like national integration, promotion of industry and the development of education (Herschmann and Messeder Pereira, 1994a, Nachman, 1977). Positivism also led to the development of the idea of "scientific politics" in countries such as Mexico and Chile (Hall and Spalding, 1988: 384–87). This resulted in the emergence of the *científicos* in Mexico, who formulated official policy during much of the lengthy rule of Porfírio Díaz (1876–1910). The government of Carlos Ibáñez del Campo (1927–31), recruited a large number of *ingenieros* for important positions within the Chilean state apparatus (see Silva's Chapter 4 in this book).

These developments also had a critical influence on the efforts to refashion higher education. In the first instance, technical schools were established as an instrument to educate the experts of the future (Murray, 1994). Many politicians sought to improve and expand educational opportunities to help create a scientific elite. Another important incentive for educational reform, shared by positivists and liberals alike, was the desire to decrease the influence of the Roman Catholic church. These tendencies were particularly clear in the countries where the influence of the Puerto Rican philosopher Eugenio María de Hostos was great, most notably the Dominican Republic and Chile. The emphasis on non-religious education led to the establishment of the so-called "normal" schools, which heralded rationalism and opposed religious dogma (see Lewis, 1983: 271–76; Hoetink, 1982: 141–45). In the twentieth century, this development also led to a more generalized attention to primary education. Many governments came to realize that they could only succeed in their quest for modernization when the masses were "elevated" and given a minimum of education (Hale, 1989; Bazant, 1984; Safford, 1976; Herschmann and Messeder Pereira, 1994b: 38–39).

The emphasis on education indicates that there was also an ideological, almost moral side to positivism in Latin America, which was much stronger than its counterpart in Europe. Latin America's elites were often overwhelmed by a deeply-felt apprehension and even pessimism about the potential for "progress" in their backward, racially mixed societies. They felt a combination of paternalism and disgust for the mass of the population and could only envision real progress after their moral education and transformation to civilized and orderly citizens.[9] The strong civilizing notion in modernizing ideology which became general in the twentieth century could also be seen in Europe, but was much more vehement in the Latin American countries, not in the last place because it was colored by strong ethnically and racially informed ideas (see Graham, 1990; Borges, 1993; Cassá, 1976; Baud, 1996). Both liberals and conservatives were

greatly influenced by Social-Darwinist and Eugenist thought. The notion that racial "improvement" could be achieved through scientific means had considerable appeal to politicians and intellectuals who were intent on developing their nations (Stepan, 1991; Needell, 1995). It was an important factor leading to the formulation and implementation of indigenist ideas in the Andean republics (see e.g. Davies, 1970). It also explains the attention to medicine as a "social" science which became important in the early decades of the twentieth century.

The technocratic utopia

There is no doubt that the most important consequence of positivism was the belief that late nineteenth-century Latin American society needed a technocratic government. Rational government was too difficult and complicated to leave to politicians. In the opinion of the positivists it was necessary that an intellectual elite organize social and political relations according to scientific rules. As Charles Hale remarks, "scientific or positive politics involved the argument that the country's problems should be approached and its policies formed scientifically." (1989: 27) The progressive nature of historical development could be confirmed by the intervention of technocrats who would put an end to the interference by human passions and blind incompetence. However, the idea of a technocratic administration was inherently paradoxical. Although many advocates of scientific politics saw themselves as liberals, their ideas were in contrast to the classic liberal faith in constitutional politics. The concept of "scientific politics" implied a system which distanced itself from conventional politics and which was geared exclusively, without any partisan biases whatsoever, to economic and technological development. The arena of politics had to be invaded, complemented or taken over by apolitical technocrats.

Positivist ideas in the nineteenth century thus showed an excessive belief in technological expertise and progress. The goals of most politicians and intellectuals were not so much social or political, but technical. For them, progress meant railroads, advanced urban transport such as trolleys and – later – undergrounds, wharves and harbors, new telecommunications such as telephone and cablegram, and modernization of mining technology. To bring about these miracles of progress Latin American governments needed technical – often foreign – experts. When people spoke of technical men during this period they self-evidently meant *ingenieros*. This obsession with technical modernization also translated into what Frank Safford so aptly called "the ideal of the practical" and the establishment of technical schools. Latin American elites wanted to decrease their dependence on foreign expertise, and therefore displayed great energy in the establishment of technical schools, especially those oriented towards engineering (Safford, 1976; Bazant, 1984; Murray, 1990, 1994).

This emphasis on technical expertise was the basis for many of the ambiguities within the late-nineteenth-century political quest for development and modernization. Politics was at the center of the attempts to develop Latin American societies in this period. Although everyone agreed rhetorically on the need to put an end to the political divisions, the quest for modernization, the trust in technological expertise and especially the granting of concessions were in practice politically highly charged actions. The example of railroad construction in Latin America suffices to make this clear. While Latin American governments had to rely on (foreign) technological assistance for the construction of their much-desired railroads, they were not prepared to relinquish control over them. Politicians and members of the elite wanted to have a say in the decisions concerning trajectories, but they also struggled continuously for control over the railroad enterprises and their benefits. This political strife led to incompetence and frequent mismanagement (see Miller, 1987). This struck at the heart of "scientific politics" because railroads had always been considered the prime example of modernization and the benefits to be gained from technological expertise.

THE CASE OF RAILROADS IN THE DOMINICAN REPUBLIC

This situation was particularly clear in a small country like the Dominican Republic. The country had many transportation problems in the late nineteenth century. Tobacco, the source of the prosperity of the northern region, the Cibao, was transported to the port Puerto Plata by herds of mules. This was a very slow, risky and costly enterprise. When the perspicuous observer Pedro Francisco Bonó presented his ideas on the future of the Dominican Republic in 1881, his first preoccupation was the deficient infrastructure of the country. According to him, good roads were the absolute precondition for economic progress of the young Republic. Bonó was only one of the many observers who lamented the conditions of travel and transport in the nineteenth century. The press was full of similar complaints by journalists, merchants and public officials. They constantly emphasized the fact that the underdevelopment of the Dominican economy could not be solved if there were no means to transport agricultural products.[10] In the words of the Dominican Minister of Public Works in 1910: "Roads, be it landroads or railroads, are the crucial necessity

which will save the country, will confirm its independence, and will allow it to fulfil its potentials in the future ... It also will permit the achievement of an enduring progress, by which the government will be able to fulfil its duties in a rapid and efficient way."[11] It is not surprising, therefore that "*la cuestión de caminos*," was a hot issue in the Cibao and the improvement of the infrastructure was a predominant theme in public opinion.

This discussion, in which all layers of society participated, led to an avalanche of ideas, proposals and plans. It was, above all, the railroads which captivated public opinion and were often considered the ultimate solution of regional problems (see Baud, 1993). Two railroads were constructed in the end. They were financed by foreign capital and built under supervision of foreign engineers. The first was a Scottish project, the second began as a Dutch-Belgian venture, but was taken over by a U.S. company before it was finished. The fact that they were both foreign companies cannot be taken as a sign that they were exogenous initiatives, imposed from the outside on a hapless Dominican society.[12] On the contrary, they were the result of the frenetic activity of the regional elite to improve the region's infrastructure. Countless initiatives had been taken by elites to build roads, facilitate rivers for transportation or to construct railroads. Most of these came to nothing because of the unstable political situation of the country and the small financial basis of most ventures. It took technological expertise and larger financial means to bring to a close a difficult and costly project like the construction of a railroad.

The first railroad, which was supposed to run from Samaná to Santiago (but, incidentally, never reached either of the two cities), was financed by the Scottish ironmaster Alexander Baird. Its construction was supervised by six British engineers under the direction of the engineer MacGregor. These men worked from 1884 to 1887 to construct the railroad under difficult circumstances. The marshes in the eastern part of the valley caused much delay. After its completion, the railroad remained a private enterprise. Only in the 1930s, when it had already outlived its utility, was it acquired by the Trujillo dictatorship.

Equally difficult was the construction of the other railroad, called the Ferrocarril Central Dominicano (FCD), which ran from Puerto Plata to Santiago. It originated in a loan to the Heureaux government by a Dutch bank. The latter's representative in the country organized a new loan with the bank in order to finance the railroad. The construction works started in 1890 under the direction of the Belgian engineer Louis Bogaert, who worked with two Belgian colleagues, all of whom communicated with the Dominican government in French. They were probably hired because of their experience with railroad construction in mountainous, rugged

territory. Especially in the first stretch near Puerto Plata the engineers faced numerous problems in conquering the steep mountain sides of the Cordillera Septentrional. Their decision to build a railroad with a extremely narrow gauge, using a pulley-system for the steep gradients, consistently produced problems and was heavily criticized.

This is not the place to go into the details of railroad construction in this small Latin American country. What is interesting in the context of this paper is whether these hired engineers coming from Europe can in any way be linked to the quest for modernity of late-nineteenth-century Latin American governments, and could even be considered some sort of a technocracy. On first sight the answer must be "no." They were technicians hired to do a specific job and without any public function. They were paid to apply their technological skills and transfer part of their expertise.[13] If we look somewhat closer to the social and political position of these engineers, the picture becomes somewhat more complex. First of all, as we have seen, the railroads were publicly endorsed projects, sponsored in one way or another by the (regional) government. The Scottish company received free land grants and numerous tax deductions. The Ferrocarril Central was established as a so-called "mixed enterprise," in which private capital was combined with government investments and by which the railroad would eventually become the property of the Dominican state. The construction of these railroads implied dramatic social and economic changes on a regional level. The correspondence between the government and the railroad companies shows that the latter were in many senses public enterprises. Thus, the engineers hired by these private companies were more public employees than might appear at first sight. It may also be significant that the Belgian railroad engineer, Louis Bogaert, became the founder of a rich and politically very influential family in the twentieth-century Dominican Republic.

This link with the government was even more important since many "technical" decisions about the construction had direct political implications. This was clearest in the debates about the preferred trajectories. During the construction of the Samaná-Santiago railroad its trajectory was repeatedly changed causing protests and political debates about the relationship between the government and the company. Other technological aspects of the construction such as the gauge and the type of locomotives were political issues debated in public. The engineers constructing the railroads were repeatedly interviewed by Dominican periodicals and their activities were avidly watched. Once the railway was functioning, the technocratic (as opposed to purely technical) nature of the railway directors became even more obvious. The General Director of the FCD, the

U.S. engineer Hugh Gibson, in fact became a public employee when the railroad was transferred to the Dominican Government in 1908. From then on, he had to steer a prudent course between the national and regional political interests on the one hand, and the entrepreneurial goals of the railroad on the other. In the subsequent years this led to repeated problems. There existed an increasing tension between the entrepreneurial, "technocratic" direction of the enterprise by the General Director and the attempts by politicians to use the railroad for personal or political reasons. In 1912 he denounced the fact that many family members of politicians obtained tickets free or for half the price, which they then sold with a profit.[14] There were constant complaints by the management of the railroad and the public that political factions tried to obtain control of the company for their own benefit. The railroad was such a desired object because it determined the control over the revenues from import-export duties.

This case gives an indication as to how technicians were forced to enter *nolens volens* in the realm of politics. It proved the ultimate paradox of late-nineteenth-century developmentalist practice that engineers could in the end only safeguard some of their technocratic goals by entering politics and mixing with the local elite.

POLITICIANS AND PROGRESS

Whatever the outcome, there is no doubt that the Dominican and Latin American quest for modernity was strongly influenced by the elite's desire to copy the European model. This was clearest, of course, in the enthusiastic reception of Comtean philosophy, but also in more concrete matters such as the construction of railways or the improvement of (technical) education. Europe and, to a far lesser extent, the United States were the model defining the contours of Latin American developmentalism. The varied and fragmented introduction of Comtean ideology and the frequent failures of transplanting European technology to Latin America, however, pointed to the limits and variation of this European influence. Specific characteristics of the Latin American nations and their peculiar historical development after independence caused large differences in the reception and impact of European ideas. Charles Hale has observed that the importance and expression of scientific politics was, for instance, quite different in Mexico and Chile. The historically rooted openness of Chilean intellectuals to changing currents of European thought was greater than in Mexico, and the grafting of new ideas onto old ones came more naturally and imperceptibly (Hale, 1988: 388–89; Sikkink, 1991). These general

differences existed above all between countries, but they were also discernible within them. One sector of the economy, for different reasons but normally because of its crucial economic importance, could be controlled by the government, while others depended exclusively on private initiative for their development. These differences were the result of the varied historical development of Latin American countries, but also of other factors such as geographical position and size.

Probably the most important factor was the level of economic development and political strength of specific Latin American countries. These determined the space for maneuvering for governments and elites and their potential for negotiating with foreign companies and technical experts. The essential difference was the extent to which governments could direct and control the development in their countries (Marichal, 1989). This determined governments' relationships with the groups executing the plans deemed necessary for the modernizing projects. The latter may be divided in two groups: (1) private capital and (2) technocrats who were hired directly by the state. Here we are most interested in the second group, but I would hold that there is often only a thin line dividing them from the first. This heroic phase of capitalism did not have much room for altruism and ideals. The technocrats were never far from serving their own (business) interests. Where national governments were able to control the process of modernization and to pay the necessary technicians themselves, the situation was most likely to favor the stereotyped situation of a technocracy. In less developed, poorer countries governments were unable to control the process of development. In these situations, the government could barely lay down the contours of its aims and had to leave the actual execution to private groups of investors and technicians. In these cases we can hardly speak of technocrats, but might instead speak of "private technology". There is no doubt that because of the weakness of the state and the inability of public employees to do the job, this group often acquired considerable political influence.

It was in this ambiguous and fluid situation that Latin American states had to bring about economic modernization. Politicians and public employees tried to reach the sacred goal of progress without endangering too many vested interests and stirring up too much social trouble. This resulted in a contradictory state policy, with uneven and divergent results, and with governments often relegating certain state tasks to private companies and individuals. These may not have been technocrats in the full sense of the word, but they fulfilled many of the functions usually ascribed to them. They invented and executed the plans which governments and politicians were supposed but unable to execute. They transformed the

progresista dream into reality (or, at least, something that resembled reality). Only in the course of time did the position of these experts change. As a result of a variety of factors, Latin American governments took hold of modernization themselves, extended their activities to other areas of society, and started themselves to hire the experts they needed for their political objectives.

Social and economic changes in the early twentieth century

Periodizations in social history are notoriously difficult, but it seems fair to say that in the first twenty years of the twentieth century – and especially in the second decade – a fundamental shift occurred in perceptions of social and economic change, on the one hand, and the role governments had to play in them, on the other. This may have been a world-wide process, but it was particularly clear in Latin America. The paradigmatic liberal vision on modernization which had been shared by Liberals and conservatives alike was gradually replaced by the conviction that state intervention was indispensable for the social and economic development of Latin American societies. Modernization remained the sacred goal, but few people believed anymore that it could be left to the free market to reach it (Escobar, 1995).

This ideological transformation took place under the impact of a variety of historical changes. First, we can point at the world-wide economic crisis which lasted until the turn of the century. This crisis wrought havoc on many regions which had been orienting their agricultural production to the world market in the preceding years. It also caused a realignment of productive forces and led to a concentration of capital and productive capacity. At the same time, this was the zenith of European and U.S. imperialism. In the Latin American societies this meant an increasing dominance of U.S. capital on Latin American soil and the introduction of new ideas about social and economic policies. This process gathered pace in the beginning of the twentieth century when the United States started to become increasingly militarily involved in Central America and the Caribbean. A third general factor was World War I which shook the world system and forced a world-wide economic reorganization.[15]

There were also more specific Latin American factors which were stimulating this changing perspective. First of all, the late nineteenth century saw a number of wars, which undermined the self-confidence of Latin American elites and their belief in the self-regulatory mechanisms of society. The most dramatic ones were the War of the Pacific between Chile and Peru and the civil wars in Bolivia and Colombia.[16] The disillusionment

and pessimism which were the result of this warfare coincided with what we could call the life cycle of the Latin American states. This factor may be mentioned as a second cause for new political ideologies. The euphoria of independence had faded by the end of the century and Latin American politicians and intellectuals realized that they had to find new ways of dealing with the social and economic problems of their societies. When the limitations of their utopian belief in technological progress had become clear, they tried to find solutions for what we could call the "social question." Latin American elites had to decide on the preferred policy with respect to people like the Indian peasants, the urban populations and the new industrial workers (see Hall and Spalding, 1988).

Thirdly, and certainly not least important, Latin American elites were confronted by general problems related to modernization and urbanization. The concentration of people in cities and industrial complexes, changing forms of production and new labor conditions, all created new problems, for which no ready solutions were available. The clearest problems were in education and public health, but public transport, city planning, an unhampered food supply to the urban centers and the provision of electricity were no less important.

From technology to social engineering

The new demands on modernizing Latin American societies required new kinds of experts and methods of state intervention. These problems no longer required purely technical solutions. They were also social problems which needed different kinds of expertise. From the point of view of the elites, they involved two goals. On the one hand, the potential threat to the social order by urban masses and dislocated peasants needed to be curtailed. This could be done by social projects and better control of the urban space. On the other, the laboring masses needed to be prepared for their integration in modern society, that is, they had to become productive wage laborers and agrarian cultivators (cf. Haynes, 1991). There was still another incentive for state intervention: the attraction of foreign capital. Rosemary Thorp writes: "It is no surprise then to find the bulk of the institutional innovation of [the 1920s] precisely in those measures designed to introduce order and to make the economies in question more 'suitable' to foreign finance (1986: 72)." It was this latter goal that made financial politics so important for many Latin American countries leading, for instance, to the famous Kemmerer missions (cf. Drake, 1989, 1994a).

This situation was a crucial factor in changing perceptions of change and the emergence of new ideas about the development of Latin American

societies. More and more elites started to realize that modernization was not only a matter of technology, but that it involved changes in the entire social fabric of their societies. The Mexican engineer Alberto Pani, for instance, strongly criticizing the developmental policies of Porfírio Díaz, wrote in 1921 that "in the realm of government policy, sound, integrated sociological judgments would have saved us from the atrocities provoked by the pseudo-scientific, purely economic, criteria of the old [Porfirian] politicians" (cited in Haynes, 1991: 261). Gradually the idea of *social* engineering took hold among Latin American elites. Still influenced by nineteenth-century ideas, which saw society as an organism that could be diagnosed, treated and cured, they became interested in the social side of modernization. To bring about modernization and *progreso*, it was necessary to change the organization of society and to educate and control the population. These ideas about improving the "quality" of the Latin American populations were partly the result of late-nineteenth-century European scientific theory. Obviously these also had roots in racist assumptions, but they were more than simple expressions of prejudice. Efforts to "educate" the peasantry, elevate the urban masses and to teach hygiene and good customs to the population in general were other clear examples of this new conviction that development or modernization could only take place when the mass of the population was prepared for it.

It would appear that this new perspective was a decisive factor for the emergence of a new group of technical experts, and would eventually lead to new technocratic ideologies. Politicians realized that it was no longer possible to focus on isolated technical problems and their solutions: they had to be considered as part of a larger social and political problematic. The building of railroads, the creation of water and electricity supplies, the planning of cities, improving public health, were all activities with far-reaching social and political consequences. Therefore they could not be left to mere technical experts. They needed thorough social analysis and political guidance. This was all the more urgent, since the first decades of the twentieth century saw a number of Indian revolts, urban demonstrations and strikes (cf. Skidmore, 1979; Romero, 1986). The Mexican (and to a lesser extent the Russian) Revolution became for many Latin American politicians the terrifying vision of what could happen when the social question remained unsolved.

Diverging perspectives emerged to counter these problems. They reflected the tensions inherent in twentieth-century technocratic ideologies. On the one hand, they included progressive ideologies, aimed at the changing and democratization of society. These wished to break the traditional elites' hold on society and envisioned a more equal, rational and

just society. On the other hand, reformers were often exasperated by the poverty, passivity and lack of education of the mass of the population. As a result, many *progresista* technocrats opted for authoritarian, often racist solutions (Akin, 1977). This contradiction was even more intense in the Latin American context, where social inequality and ethnic contrasts were more poignant. On the one extreme, there was the racist-repressive current; on the other, we see a more democratic-paternalist and, later, socialist approach.

The adherents to the former opted for repressive politics. They also emphasized the racial composition of the population in order to explain Latin American backwardness. They therefore advocated "white" European immigration and favored eugenic policies. The eugenic movement became quite influential in the 1920s and 30s, especially in the bigger countries like Brazil, Argentina and Mexico. Eugenist physicians acquired a great deal of political influence and may be considered a real technocracy in this period. They were organized in Pan American Federations and exercised direct influence on a variety of eugenic laws regulating race and marriage (Stepan 1991: 58–62 *et passim*).

Another approach was characterized by a more or less engaged conviction that the masses had to be elevated and educated to be able to adapt to modern society and to live as "human beings". Comtean positivism had always advocated the inclusion of the laboring masses in the modernizing project, but often in quite authoritarian terms.[17] For some people this inclusion was, before anything, meant to avoid a social revolution. The Chilean politician Pablo Ramírez, for instance, warned in 1921 – referring to the Russian Revolution – that social legislation was the only way to avoid social revolution (see Silva's Chapter 4 in this book). For others, most clearly leaders of labor unions or revolutionary parties, raising the consciousness of the masses was the precondition for revolutionary change. Whatever the underlying ideologies, this perspective led to more attention for education, public health and the construction of utilities.

What made the early-twentieth-century intellectuals different from their predecessors was that they realized (or were made to realize) that they could not just impose their ideas on the population, but that they had to mold popular perceptions and public opinion in accepting their cry for modernization.[18] Paraphrasing Leopoldo Zea we might say that the Latin American elites were forced to accept their own history and to incorporate the socio-cultural characteristics of their societies in their modernizing schemes.[19] As Richard Morse has stressed, the new *prise de conscience* was also very much a literary phenomenon. Latin American modernism between 1910 and 1930 in many ways symbolized the efforts of modernist

artists and intellectuals to come to terms with the social fabric and cultural peculiarities of their societies. This was clear in works as different as Mariategui's *Seven Essays* (1928), Martínez Estrada's *X-ray of the Pampas* (1933) and Freyre's *The Masters and the Slaves* (1933).[20] These works became the symbols of a whole intellectual epoch in which the peculiarities of Latin American society as such became the core of the intellectual discourse. This changing perspective may also partly be viewed as the result of a more conservative current in Latin American thought which combined a culturalist rejection of what was considered an excessive rationalism and increasing anti-yanqui sentiments. This movement was clearly influenced by Rodó's *Ariel* (although in general not being so authoritarian), and it gave a definite romantic and cultural touch to many of the intellectual currents in the first decades of the twentieth century.[21]

In this process intellectuals acquired a new place in society. Politicians and intellectuals had always been closely connected groups in nineteenth-century Latin America, but in the first decades of the twentieth century, the role of the more or less independent intellectuals became more pronounced. They presented themselves as playing an essential role in solving the problems which confronted Latin American societies in this period; and there were few people contradicting them. Their first and foremost task was the formulation and definition of national identities (Schmidt, 1978). But simultaneously, they interfered with all spheres of politics and social-economic relations. José Vasconcelos suggested in 1911 that Mexican intellectuals had to create a complete intellectual revolution which contained an assault on "Porfirian positivism." Laced with revolutionary fervor, his article stated that the future of Mexico would be in the close relationship between intellectuals and the state. However strong and sincere these sentiments, it may be asked how fundamentally the new ideas of the revolutionary intellectuals in effect differed from their positivist predecessors. It is as important to stress the continuities between these periods (and their intellectuals) as the changes.[22]

The underlying question was to what extent intellectuals and politicians were prepared to fully accept the revolutionary consequences of the social and economic changes affecting their societies. Just as in the late nineteenth century positivist belief in the technological transformation of society was accepted among Latin American elites, later groups were equally convinced that it was necessary and possible to modernize the make-up of their societies. Men like José Vasconcelos, Gamio and the just-mentioned Alberto Pani in Mexico, Oliveira Viana in Brazil, Pablo Ramírez and Valentín Letelier in Chile, are just a few more articulate

examples of this general conviction. Different as their ideas might have been on many issues (e.g. the contrast between the populist revolutionary Vasconcelos and the racist conservative Viana), they shared the belief that technological modernization of Latin American society would necessarily imply a social transformation which needed to be stimulated and directed by them.

In all this almost euphoric thinking about the present and future of Latin American society, there remained one crucial problem: How to implement these ideas? Although these new intellectuals were more aware of the social and economic problems of their societies than their predecessors, they were unable to bridge the great social cleavages within Latin American societies. They therefore turned again to technical men, who were expected to implement their ideas in the concrete reality of daily life. Although engineers continued to be highly valued, the new ideas required different technological expertise. Besides economists and financial experts, Latin American governments increasingly relied on social scientists, educational experts, physicians and agronomists in this period.

Their real impact can only be assessed at the local level where these experts were doing their work. To give an idea of the reality and contradictions of such technological interventions, I will present another short case-study from the Dominican Republic, which refers to the implementation of agrarian expertise. It shows how developmentalism and the implementation of technical expertise gradually acquired new faces and were geared more than before towards influencing the social fabric of society.[23]

EDUCATING THE PEASANTRY IN THE DOMINICAN REPUBLIC: THE WORK OF LUIS CARBALLO

Agricultural policies of the Dominican state were guided by two objectives. In the first place, agricultural production for the market had to be quantitatively and qualitatively improved. To reach this goal, peasant production had to be brought under control. The second objective of state policy was therefore to subdue the peasantry and to put an end to the autonomy of peasant agriculture. Only through state intervention could the peasant producers be drawn out of their agricultural conservatism and technological ignorance. This conviction, which was an essential part of the modernizing ideology of the period, led to considerable interference in agricultural production and brought peasant producers increasingly in contact with representatives of the state.

The urge to change agricultural technology was extremely clear in the peasant-dominated tobacco sector. Politicians and state officials were convinced that to strengthen the market position of Dominican tobacco it was necessary to improve its methods of cultivation. Both the state and the merchants tried to put an end to what they perceived as backward or archaic cultivation techniques of the peasantry. Many tobacco experts and politicians sincerely believed in a technocratic solution for the problems of Dominican agriculture. Around the turn of the twentieth century a number of efforts were made to convince the peasants to change their ways. However, the agronomists which were brought from abroad (the United States or Cuba), were unfamiliar with local customs, and their efforts were largely ineffective. This only changed from the late 1920s onwards when the Costa Rican tobacco expert Luis Carballo Romeno was hired by the Dominican government.

Luis Carballo Romero rapidly became the unchallenged tobacco expert of the region. He was the key figure in the implementation of new ideas about agricultural policy. He directed a series of intensive "tobacco campaigns" which aimed at improving tobacco cultivation. The distribution of seeds to the peasant producers and the maintenance of public seedbeds became normal activities and many of his technological suggestions would become common practice in years to come. He thus symbolized a new kind of active state intervention, but he also showed the contradictions of state intervention in rural society. He demonstrated a curiosity for peasant agriculture and a comprehension of its underlying logic which would have been unthinkable only a few decades earlier. More than his predecessors, Carballo tried to solve the technical problems of tobacco production in the context of food production and other elements of the peasant economy.[24] Carballo was no longer content with the easy armchair denunciations of the indolent peasantry. He believed that agricultural improvements would only be possible when they were adapted to the logic of peasant production. In his agricultural advice he tried consequently to take the daily reality of peasant production as a starting point. Under his direction, the free distribution of plantlets was extended, partly financed by the mercantile sector. He also took charge of the distribution of cheap credit for the tobacco cultivators in order to build more and better *ranchos*. Yet, the effects of his activities showed how a better understanding of rural society and the system of agricultural production could be instrumental in the restriction of peasant autonomy and more intensive state intervention. State policy thus became better adapted to the logic and methods of peasant production and this enabled the state to obtain a greater hold on rural society.[25]

Carballo's credit programs show the extent of his technocratic attitude. When in 1928, credit facilities were offered to cultivators who cultivated more than 25 *tareas* (one and a half hectare), Carballo flatly refused to use the credit for political purposes. A local official wrote, "I have received information that the majority of the debtors are followers of [then president] Horacio Vásquez and that a large part of them are not able to pay at this moment." He suggested, to take political advantage of this situation: "I consider that whatever their political affiliation, this is a good occasion to attract those who cannot pay, remitting their debts in name of the Government."[26] Carballo rejected this and similar proposals in 1931 because they would endanger any future credit programs.

Carballo believed that the state had to teach the peasant producers the value of money and the logic of the market economy. In the 1930–31 harvest an interest of one percent was charged to pay for "the inspection costs," but also "to accustom the peasant producers to the idea that it takes money to make money."[27] Carballo acknowledged that low tobacco prices were an important reason for the financial problems of the peasantry. He wrote: "The tobacco has become a thing of charlatans (*charlatanería*) and for the first time I understand that the merchants are ABUSING the poor peasants because they are paying only 1.50 pesos for a quintal of the very best tobacco." He therefore proposed to be lenient towards the cultivators who could not repay their loans. This hesitation between harsh paternalism and sympathy towards the cultivators showed the basic ambiguity in the attitude of these new technocrats. Their activities in favor of the cultivating interests often strained their relations with the merchants. Already in 1928, Carballo had stated that it was necessary to liberate the cultivators from "the clutches of the speculators."[28] In his monthly reports he often rejoiced that the cultivators held firm and refused to sell their tobacco for unfavorable prices. It could well be that this prudent and technocratic identification with the interests of the cultivators signified the greatest change in agrarian policies.

Gradually this led to a complete infrastructure primarily meant to support the tobacco sector and in 1963 to the establishment of the 'Instituto del Tabaco' under the direction of Carballo. This institute has been a prime example of a technocratic institution (and, incidentally, has been threatened more than once by politicians who were frustrated that they could not use it for their own purposes). It formed an important mainstay for the tobacco sector in the years to come and became an indispensable intermediary between the state and the tobacco cultivators. Perhaps the clearest indicator of Carballo's technocratic posture was the fact that he worked uninterruptedly for the Dominican government in the extremely turbulent and politically polarized period from the late 1920s to the late 1960s.

CONCLUSION

This chapter has shown that technocratic attitudes prevailed among Latin American elites from the mid nineteenth century onwards. However, the continuities in a quest for modernity did not preclude changes in the assessment of modernization and the expertise necessary for attaining it. This chapter has focused on the transformation in technocratic ideology which occurred between the late-nineteenth and twentieth centuries.

The nineteenth-century technical experts were a mixed lot, originating in different countries and using different methods. Many of them started as mere technicians hired to build bridges or railroads or to design water works. Sometimes they were hired directly by the government, in other cases they were contracted by private companies which worked independently or for the state. Important engineering projects such as railroads were almost completely dependent on foreign expertise, even when in some countries local technological expertise existed. The envy this caused among local elite groups may be considered the principal incentive for the establishment of technical schools and universities in the larger Latin American countries in the late nineteenth century (see Ouweneel, 1995). In the smaller countries of Central America and the Caribbean the local system of education was unable to produce a class of competent technicians.

Whatever their background, these experts could not stay out of politics. First and foremost, this was a result of the social and political importance of their projects. No government was prepared to completely leave important infrastructural and social works to technicians. When they could not direct these works themselves, Latin American governments formulated laws which guaranteed a certain degree of state control and allowed for the appointment of administrators and supervisors. Moreover, governments made every effort to assure that state control was in the hands of friendly politicians. In both cases, technicians had to "become political" if they hoped to be successful. They had to create a space within the realm of politics in order to do their technological work. They had to negotiate the terms of the project, discuss what kind of methods they wished to employ, which technological solutions they preferred and, most important, to what extent they allowed politics to enter into the enterprise.

In the early twentieth century, the position of technical experts underwent important changes. It was only then that the idea of *social* engineering took hold among Latin American elites. Partly influenced by European scientific theory, politicians started to think about improving the "quality" of their populations. Seeing society as an organism that had to be cured, they became more interested in the social side of modernization. The

efforts in the Dominican Republic to "educate" the peasantry are a clear example of this new conviction that development or modernization could only take place when the mass of the population was prepared for it. It is difficult to prove, but it appears that this new perspective was a decisive incentive for the creation of a group of what may be called technocrats. The fact that they were no longer just interested in restricted technical problems, but saw their tasks as part of a larger social problematic, made all the difference.

On the basis of the foregoing, I would suggest that the concept of technocrat may be less determined by its relation to politics per se, but more by the supposed (and, often implicit) social objectives of the technocratic dream. The goal of social (and thus political) engineering seems to be a decisive criterion in determining whether we can talk about technocrats. Technocrats could be seen as people who believe that scientific knowledge (in whatever discipline) is essential for the rational organization of society, and who wish to use their own professional expertise in order to stimulate modernization and development.

The emphasis on the quest for modernity and the contradictory ways by which Latin American elites have tried to attain this goal may lead the way out of the fruitless discussion whether technocrats have been basically "good" or "bad" for Latin American societies. This question has given shape to much of the present-day debate around technocrats. This may be considered the direct result of the prominent place neoliberal economists have had in Latin American politics. Neoliberal economists often acted as the technocratic think tanks of the various dictatorships, among which the Pinochet-regime is the best known. This support of authoritarian regimes has given the economic technocrats a bad name in left-wing Latin American social science analysis. It is important to stress that similar opinions have been voiced by conservative critics of technocrats who supported "revolutionary" governments such as the Cuban after 1959 and the Nicaraguan after 1976.

I hope to have made clear that technocratic thinking is not exclusive to one specific political ideology. The quest for modernity may be considered the shared utopia of both liberal and conservative elites in Latin America from the nineteenth century onwards. The faith in technocratic solutions existed within both right- and left-wing governments throughout this period.[29] It is useless to see technocrats as the monopoly of one or another political ideology. The contents of the politics of expertise should be analyzed on the basis of explicit criteria, before we can judge the social and political position of technocrats and their political supporters. Their important position in Latin American politics shows the faith in technocratic

solutions for social and economic problems and their belief in the scientific, "rational" ordering of society among Latin American politicians in past and present-day.

Notes

1. As Carlos Mariátegui stated it, "la Ciencia, la Razón, el Progreso fueron los mitos del siglo XIX" (1976: 212).
2. For this similarity between Liberal and Conservative ideologies, see Safford (1976).
3. This is an important theme in the work of Paul Gootenberg (1993, 1995).
4. An illuminating analysis of the Peruvian case can be found in Jacobsen (1988).
5. This is the over-arching theme in the essays of volume V of the *The Cambridge History of Latin America* (Bethell, 1986). The disastrous financial results of this ambiguous state intervention become tantalizing clear in Marichal (1989).
6. This is not to say that is was the only influence (see Hale, 1988, 1989). The same paradox may explain the fact that it took some time before positivism was accepted in Latin America (see Nachman, 1977: 5).
7. However, Thomas Glick (1994: 467) has argued that the impact of Comtean ideas have been exaggerated at the cost of the influence of Spencer and Darwin.
8. Mariátegui (1976: 213) talks about "conservative and revolutionary positivism."
9. This combination of a benevolent paternalism and a deeply felt pessimism about the potential for development is particularly clear in da Cunha (1964). See also Glick (1994: 470–72).
10. The Dominican Minister of Agriculture stated in 1866: "The deplorable state of our roads constitutes a key factor in explaining the backwardness of our agriculture." Memoria del Secretario de Estado de Agricultura e Inmigración, 1866.
11. Memoria del Secretario de Estado de Fomento y Comunicaciones, 1910, in: *Gaceta Oficial*, vol. XXVIII, No. 2193, May 20, 1911.
12. This emphasis on the external incentives is particularly clear in Coatsworth's analysis of the Mexican railroad building (1974, 1981). A balanced approach for the Argentine, Brazilian and Cuban cases can be found respectively in Goodwin (1977), Mattoon (1977), and Oostindie (1988).
13. Rory Miller (1987) has shown how these foreign experts were also essential for the construction of railroads in the bigger South American countries.
14. Memoria del Secretario del Estado de Hacienda y Comercio, 1912, in *Gaceta Oficial*, vol. XX, p. No. 2453, November 19, 1913. See also Terán (1983).
15. See for these changes, Glade (1986), and Thorp (1986). It should be noted that Thorp downplays the role of World War I.
16. According to Davies (1970: 36–7) the war between Chile and Peru destroyed the positivist myth in Peru and led to an increasing attention for the Indian population among the so-called "neo-positivists."
17. In Brazil this tendency was called *trabalhismo* (see Needell, 1995: 24).
18. It owes this interpretation partly to Richard Morse (1989: 146).

19. Leopoldo Zea (1963) stresses the fact that Latin American elites had been unable to integrate their countries' history in their political projects.
20. Morse, 1989: 148–50. See also Herschmann and Messeder Pereira, 1994: 6. The origins of the *indigenista* movement in the Andean countries, which was also very much a literary movement, can be placed in the same historical conjuncture. See e.g. Kristal (1987) and Rénique (1991).
21. See Henderson (1988: 14–16), and Romero (1986: 46–7). For an interesting analysis of *arielista* ideas in Peru, see Gonzales (1989).
22. This point is convincingly made by Schmidt (1991: 176–7).
23. It is interesting to note that the following analysis also seems to apply to the case of the tobacco sector in the Brazilian Bahia.
24. For an early example of this attitude see "Cuestiones de gran actualidad," *La Información* vol. II, No. 355, March 3, 1917.
25. It could well be that Mussolini's Italy was the example of Luis Carballo. He called the Italian leader "one of the greatest men of our time." Ponencia dictada por el señor Luis Carballo, in Gobernación de Santiago, February 12, 1928, p. 7.
26. Letter from Emilio Ceara, April 1, 1931 annexed to "Campesinos deudores de esta Cámara por concepto de préstamos según formulario," in: Sección de Comercio (March 27, 1931), vol. 14, p. 280.
27. Letter from Luis Carballo to Minister of Agriculture and Commerce, Rafael César Tolentino, March 6, 1931, in: *Agricultura*, p. 169.
28. "Hay que extender...," *La Información*, vol. XIII, p. 2064, February 6, 1928.
29. As suggested before, Luis Carballo, for instance, admired Mussolini. About the contradictory vision of technology within German National Socialism see Herf (1984), particularly Chapter 7: 'Engineers as ideologues.' For the progressive belief in technocracy, which was strongly influenced by the ideas of Thorstein Veblen, see Akin (1977). For the Chilean and Bolivian cases, respectively P. Silva (1994) and Contreras (1995).

3 The Politics of Knowledge: Hayek and Technocracy

Miguel A. Centeno

> Many of those who profess the most individualistic objectives support collectivist means without recognizing the contradiction.
>
> Milton Friedman

INTRODUCTION

Beginning with the 1970s, two concurrent trends have dominated economic policymaking in Latin America.[1] The first is the continent-wide rise to power of a generation of young technocrats. Their ascent was accompanied by an almost universal convergence on a neoliberal "Washington Consensus" of fiscal discipline, financial and trade liberalization, privatization, and deregulation (Williamson, 1994a). The first trend has received the greatest attention with a variety of country studies focusing on the attributes and path to power of technocratic cohorts (Centeno, 1994; Valdés, 1995; Schneider, 1991; Conaghan and Malloy, 1994). The second has been less studied. We certainly do not yet possess an intellectual history of technocratic neoliberalism similar to what has already been done for Keynesianism and the developmentalism of import-substitution industrialization (P. Hall, 1989; Sikkink, 1991).

Why the match between technocrats and neoliberalism? According to one view the technocrats simply "got it" and accepted the "common core of wisdom embraced by all serious economists" (Williamson, 1994b: 18). On the other side of the political spectrum, authors have pointed out that the policies of the technocrats coincidentally benefit the very same social sectors from which many of them sprang (Petras and Vieux, 1994). Others have focused on the alliance between regional elites and international financial institutions (Kahler, 1995; Mosley *et. al.*, 1991). The link to U.S. universities and the subsequent networks developed there has also been emphasized (Centeno, 1994; Valdés, 1995) as has the role of think tanks and foundations (P. Silva, 1991; Cockett, 1994; Nylen, 1993; Puryear, 1994).

In this volume, Schneider emphasizes the importance of knowledge and policies as signals required by an increasingly demanding world market. Following Powell and DiMaggio (1992) we could even imagine that technocrats would converge on a particular ideology without financial incentives and that economic knowledge served as a "ritual" used to legitimate a form of rule (Markoff and Montecinos, 1993).

While the above accounts seek to define the technocratic mentality and its links to neoliberal doctrines by tracing its intellectual origins through a variety of sources, this chapter reverses this analytical order and examines the thought of one of the most significant figures in the development of neoliberal ideology. It uses the work of Friederich Hayek to explore one of the most disturbing constants of contemporary technocratic thought in Latin America: the coexistence of a faith in markets and the efficacy of consumer taste with a pronounced distrust of democracy and the benefits of voter choice (Centeno, 1993). Was this a temporary aberration originating in the specific conditions facing these countries in the 1980s? Or, of greater concern, was there an inescapable affinity between policies and a style of governing?

By focusing on Hayek, I do not mean to imply that technocrats are by definition adherents of a single economic ideology. The first decade of the Soviet Union, for example, saw a technocratic fascination with modernity and expertise. In Latin America, the developmentalism of the 1950s and 1960s was often both technocratic and "leftist." Nor do I mean to imply that technocrats are undemocratic *because* they are neoliberals. Rather, the analysis that follows merely seeks to identify a common kernel in technocratic thought: an insistence on a monopoly of knowledge. I have chosen Hayek because he is so associated with a defense of liberty and democracy that is supposed to be part of the contemporary "end of history." His writings are particularly important precisely because he argued so strenuously against the imposition of "expert-knowledge" on the part of socialist regimes. The discussion below should make clear that the danger of the technocratic temptation is not a function of ideology, but of a more generic mentality with a deep distrust of democratic participation. The point of this paper is not to critique a school of economics, but a particular style of politics.

HAYEK

Through his Mont Pelerin Society, thousands of speeches and seminars, and his voluminous writings (especially 1944's *The Road to Serfdom*)

Friederich Hayek helped create a network of economists and future leaders who would achieve predominance in the 1980s. Hayek has been seen as the ideological godfather of the market revolution. Margaret Thatcher, for example, considered *Road to Serfdom* her economic bible. The architect of the early Reagan legacy, David Stockman, was reputedly a long time fan of Hayek while Newt Gingrich's reading list features him prominently. The Czech Prime Minister, Vaclac Klaus, often expresses his debt to Hayek and prominently displays Hayek's picture in his office. *The National Review, Investors Daily, Forbes* and the *Wall Street Journal*, as well as the torrent of policy documents from the AEI, Heritage Foundation, and Cato Institute, all acknowledged the central intellectual role played by the Austrian economist.

In parts of Latin America, Hayek's influence (and that of those inspired by him) has been considerable. The Chicago Boys' fascination with Milton Friedman made Hayek something of an honorary grandfather of the Chilean economy experiment: "the spider at the center of the [neoliberal] web" (O'Brien and Roddick, 1983: 56–7). Oppenheim (1993: 148) calls Hayek the "true intellectual father of the Chicago Boys." Hayek's visit to Chile was critical to the intellectual self-legitimization of the Pinochet government. Much more important than his prestige, however, was Hayek's intellectual legacy at the University of Chicago and the subsequent influence enjoyed by its graduates (Valdés, 1995). The influence of Hayek on Chilean neoliberalism was sealed with the Constitution of 1980 which was officially called "the Constitution of Liberty" in honor of his famous essay by that name.

Outside of Chile, it is more difficult to determine Hayek's specific influence. There is some evidence for Peru. A 1979 symposium featuring Hayek inspired Hernando de Soto and his search for the "other path."[2] De Soto's countryman, Mario Vargas Llosa, credits Hayek with his conversion to the market (Vargas Llosa, 1994). Despite the prominence of some Hayek converts, however, it is not clear to what extent he influenced the Andean turn toward neoliberalism in the 1980s (Conaghan and Malloy, 1994). Work on Argentina does not assign him the kind of prominence he enjoyed in Chile (Foxley, 1983; Ramos, 1986; Taylor, 1987). In Mexico, the role of Hayek was limited. In conversations with a wide variety of *tecnócratas*, I never heard reference to him as a central intellectual influence.

While the evidence for a direct ideological and intellectual link to Hayek in Latin America is not very extensive, I want to argue that we can speak of Hayek as the progenitor of a particular attitude towards public policy that came to dominate the continent in the 1990s. Hayek, moreover, serves as an ideal representative of a cultural/ideological movement which included Latin American neoliberal regimes. More specifically, Hayek's thought permits us to explore the possible contradictions in the neoliberal paradigm and the consequences from its application. Precisely because so much of Hayek's work focused on the inherently anti-democratic tendency in socialism, he serves as a perfect subject of an analysis of whether it is economics or politics that forge the road to serfdom.

THE WORK

There are three critical facets of Hayek's work with clear relevance for Latin America. The first is his epistemological position. This is crucial since so much of the legitimation of technocrats comes from their claimed privileged access to expert knowledge. The second is his faith in the market. Given that the central dogma of the technocratic revolution was a return to the market, it is worthwhile analyzing the particular appeal of that institution. Finally, there is Hayek's stance on democracy. Despite his reputation as a defender of individual liberty, Hayek's philosophy features precisely the ideological loophole used by many Latin American technocrats to exclude large parts of the population from decisionmaking.

I spend considerable time on apparently academic points within Hayek's philosophy because basic assumptions help determine his attitude toward politics and their role in the economy. These are critical in helping us to understand the specific political attitudes inherent in the technocratic mentality.

Epistemology, or why we cannot know the important things

The key to Hayek's politics lies in his theories of knowledge. Hayek could not agree more with the contemporary "epistemological turn" in social science, even if he would strongly disagree with many of the resulting political stances. If Marx is an economic determinist, Hayek is an epistemological one (Connin, 1990: 299).

Hayek saw himself as part of an intellectual tradition, beginning with Mandeville, through Locke, the Scottish Enlightenment, Edmund Burke, Tocqueville, and Lord Acton. From his largely British intellectual heritage, Hayek borrows two key premises. First, he emphasizes "methodological individualism." This posits that the key to human understanding is through the analysis of individual actions. Only by tracing the combined effects of these can we discover the roots of the institutions on which our society

rests. What appear to be the actions of collectives are nothing but the interaction of a variety of individuals. Hayek contrasts this with a doctrine of "conceptual realism" with which he associates Bacon, Descartes, Rousseau, Comte, and, of course, Marx. This perspective holds that aggregates such as class or the state exist and can act, and may even be more important than individual action.

Hayek's militant anti-inductionism serves as a second methodological guide. Interpreting or explaining individual acts requires our subjective readings of the situation. This makes it impossible to completely trust our observations or analyses. In such instances we will be merely projecting our particular biases and preconceptions onto the world. Like Berkeley and Hume before him, Hayek implies that much of our knowledge of external reality merely reflects mental constructs and does not necessarily have an equivalent in nature. Following Kant, Hayek assumes that humans possess sets of a priori categories with which they interpret and understand the world. To elaborate a theory based on empirical observations is therefore folly. All we can hope to do is to develop a series of propositions that fit into a logical and cohesive pattern.

Hayek differentiates between what he calls "objective" and "subjective" knowledge. The latter is a product of the human mind, the former exists in the real world. Much of our knowledge (and particularly in the social sciences) is subjective. So-called "social facts" are often no more than models that we apply to events; the view that any particular social institution or phenomenon can be analyzed is sheer illusion. Only those things not created by conscious action can be understood objectively since only these allow us to escape the trap of interpretation. With regard to "objective" knowledge such as that found in the natural sciences, Hayek counsels: "an attitude of humility toward the impersonal and anonymous social processes by which individuals help create things greater than they know..." (1948: 8).

Throughout much of his intellectual life, Hayek had a running battle with what he called "rational constructivists": those who had infinite faith in the ability of human knowledge to create and understand optimal social designs. These are the very same authors who focus on collective actors. According to Hayek, they share a naive brand of rationalism with an inflated confidence in social engineering. These false assumptions may be traced to an over optimistic assessment of human cognitive capacity. He attacks synoptic visions of science that imagine that all the knowledge of a society can be put into a single head. Social science suffers from the same limitations as attempts at social planning. (Hayek's opinion of sociology may be guessed by his labeling Comte a "19th-century totalitarian"

(Hayek, 1994: 20). Contemporary economics is as guilty as the other social sciences of what Hayek (in his Nobel address) calls the "pretense of knowledge": "a generation of economists [imagine] that the statistical fictions which dominate macro-economic models reflect real economic relationships" (Gray, 1984: 30).

This is not to say that all things are relative or that "truth" is purely socially constructed. Hayek's work is the antithesis of such post-modernist critiques. He devoted a great deal of attention to attacks on those who challenge the idea of a single truth. This can only lead to political and moral relativism of the worst sort. Hayek's position appears paradoxical in that while he is opposed to the rationalistic hubris, he still believes in some capacity to discover truth and that the only path to salvation lies in the elimination of error (Barry, 1984: 50). Unlike post-modernists, Hayek does believe that "facts" exist, but there are severe limitations on our ability to perceive, analyze, and understand them. As with Popper, Hayek does not deny truth, but our capacity to know it with certainty. Hayek goes much further than the Carnegie School with its notions of "bounded rationality." According to him, there are aspects of the real world which cannot be encompassed or understood by human knowledge. There are "constitutional limits to man's knowledge and interests" (Hayek, 1948: 14).

The epistemological model should be evolutionary theory which deals with "a process of continuous adaptation to unforeseen events [which] can never put us in the position of rationally predicting or controlling future evolution. All it can do is to show how complex structures carry within themselves a means of correction that leads to further evolutionary developments..." (Hayek, 1989: 25). The best manner in which to understand Hayekian epistemology is by reversing Marx's famous aphorism: Hayek wants philosophers to stop trying to change the world and concentrate much more on interpreting it. We can come to some understanding of the patterns of social life, how these dictate actions, and the probable outcomes of these. We cannot, however, enjoy such privileged knowledge as to create a different world.

Markets, spontaneous orders, and the best of all possible worlds

These epistemological positions help explain Hayek's view of the market and why it is such an important institution. Hayek's lack of confidence in human understanding makes him more certain of the capacities of the market. Precisely because the allocation of resources would be a subjective process, precisely because it would be based on biased and incomplete knowledge, we have to trust this impersonal mechanism which has been

constructed by non-conscious forces. In the absence of the possibility of perfect social knowledge, the market provides the mechanisms by which we can best understand what is happening in a society.

For Hayek, the economic problem of society is "the utilization of knowledge which is not given to anyone in its totality" (1948: 78). The market is a "discovery procedure" – a set of institutions which serve as vehicles for the dissemination of knowledge. Markets are processes of creating and disseminating knowledge. Society needs rapid adaptation to changes in the particular circumstances of time and place. The price system does this by sending signals – it is simply a system for communicating information (Hayek, 1945).

It is impossible to over-emphasize the centrality of the market to the functioning of a society in the Hayekian worldview. Market processes are the economic equivalent of gravity or sub-atomic attraction: without them, nothing else works. The laws of economic processes are seen as constraints in which human actions take place. Just as we accept the inevitability of physical laws in constructing buildings, we accept the laws of the market in our designs of social constitutions: "It was men's submission to the impersonal forces of the market that in the past made possible the growth of a civilization ....it is by submitting that we are every day helping to build something that is greater than any one of us can fully comprehend" (Hayek, 1994: 223–4). Attempting to create a substitute for the market will be catastrophic. Political action (capricious by definition) may attempt to overcome these constraints, but only at the risk of producing chaos. Societies that do not choose the path to market capitalism are condemned to misery (Barry, 1994: 145).

Where then does this market arise? We cannot comprehend its totality, much less design an improvement, but we can ascertain its origins. Hayek believes that the market is a "spontaneous" creation produced by an evolutionary process in which the optimal, or at least best suited, social institutions have been selected by the environment. Our morals, as well as our institutions, are also evolutionary and a functional adaptation to an environment (Hayek, 1983: 47). Again we should emphasize, along with Hayek, that the market its not a conscious creation. It, like nature, has developed in response to a set of environmental signals. It has proven to simply be the most successful manner of arranging economic life. This is perhaps Hayek's most important legacy from the Austrian School of Carl Menger and Ludwig von Mises; markets are historical creations in perpetual evolutionary flux.

The spontaneous order or *catallaxy* of the market is merely the product of the successful individual transitions and relations throughout history. It

is to be valued not on ideological or even Benthamite utilitarian grounds, but because the evolutionary process appears to have selected this order as the best. Hayek's rejection of socialism is therefore not based on a "evaluative" judgment, but a reflection of an inescapable evolutionary reality (Hayek, 1983: 29). Hayek adopts essentially a Darwinian view of social systems combined with healthy doses of functionalism: the best survive, and those that survive are the best.[3] We do live in the best of all possible worlds as long we do not try to improve it.

For Hayek, this evolutionary order cannot be escaped. Precisely because it is not the product of a single human mind, because it does not reflect conscious design, because it was not constructed as such, it is inescapable: "the individual, in participating in the social process, *must be ready and willing to adjust himself to changes and to submit to* conventions which are not the result of intelligent design, whose justification in the particular instance may not be recognizable, and which to him will often appear unintelligible and irrational" (Hayek, 1948: 22; my emphasis). The rub of Hayekian politics is the mechanism for this adjustment and submission.

Politics and why some people should not speak

Hayek's political writings aim to make political action harmonious with the laws of economic necessity. In the *Constitution of Liberty*, Hayek takes pains to declare that he is not a conservative. In the preface to one edition of *The Road to Serfdom* he says that "a conservative movement, by its very nature, is bound to be a defender of established privilege, to lean on the power of government for the protection of privilege," but "the essence of the liberal position is the denial of all privilege" (p. xxxviii). His faith in the evolutionary process of the market and its capacity to chose environmental winners applies to both rich and poor. Hayek proposes an almost Rawlsian view of social justice defining the ideal society as one in "which we would choose if we knew that our initial position in it would be decided by chance" (Hayek, 1973–9[II]: 132).

Hayek should not be grouped with those who would eliminate the state altogether. He recognizes instances of market failure: "In these instances there is a divergence between the items which enter into private calculation and those which affect social welfare; and whenever this divergence becomes important, some method other than competition may have to be found to supply the services in question." Moreover, "an effective competitive system needs an intelligently designed and continuously adjusted legal framework as much as any other" (Hayek, 1994: 44–5). He is against, however, the imposition of equality through the state. Hayek

believes that being at the bottom of the economic hierarchy, while perhaps a misfortune, does not classify as an *injustice* requiring the state to resolve a situation. Again, the point of justice is that the market is a blind sifter that assures the functional distribution of resources. The policy implications are clear and follow the neoliberal dogma: a safety net for the most disadvantaged and free space for all the rest.

None of this is very surprising given Hayek's view of the market. To understand Hayek's politics and the ramifications thereof, it is crucial, however, to concentrate on his more general stance *vis-à-vis* democracy and legitimate rule. For Hayek, the most important characteristic of a good government is that its institutions should be so constrained as to be unable to do evil. We should assume the worst in humans and seek to discover those institutions that can best limit our capacity to do damage. The best means with which to do this is through the rule of law. According to Hayek, civilization is a set of rules developed to control our instincts (Hayek, 1983). Without laws, complex, organized and civilized life is impossible (Hayek, 1973–9[I]: 44).

Legitimacy of laws should not be confused with majority rule. Hayek shares the Tocquevillian and Burkean concern with the tyranny of the majority. He suggests three principles through which we can judge the quality of laws. The first is to determine whether they are applied universally. A good law is one which avoids arbitrary power: "action determined by a particular will unrestrained by a general rule" (Hayek, 1973–9[III]: 8). That is, much as the market makes no distinction between persons in determining success, laws should be applied without consideration of "who" or "whom." The second principle is the absence of coercion. Hayek believes in what Berlin calls "negative" liberty, in which coercion is only involved when you are forced to do something; restraints on *potential* action are not necessarily coercive. Finally, according to Hayek, the important laws cannot be made by the imperfect institutions of man, but "discovered."

As in the case of the market, attempts to go against discovered (natural?) laws are very dangerous (Hayek, 1973–9[III]). Following the dictates of the *catallaxy* gives us the best chance to achieve an *ordered* liberty. According to Hayek, we have two choices: adjust to the forces of the market, the evolutionary patterns of the given laws or submit to a superior. If we do not trust the unconscious process of social creation, we will have to live with the conscious product of a dictator.

Just as the market is the best solution to the economic problems posed by our bounded knowledge, so freedom is seen as a means to resolve political conflicts caused by our cognitive limits: "if there were omniscient men, if

we could know not only all that affects the attainment of our present wishes, but also our future wants and desires, there would be little case for liberty" (Hayek, 1960: 116). In short, if the guardians were wise enough, there would be no need for democracy. Democracy, it would seem, is like the market: an institutional adaptation to imperfect knowledge.

Yet, despite his reputation as an ardent defender of liberty, Hayek is an ambivalent democrat. According to him, democracy is "essentially a means, a utilitarian device for safeguarding internal peace and individual freedom." It would be wrong in this case to "make a fetish of democracy" (1994: 78). In fact, "in its present unlimited form, democracy has largely lost the capacity of serving as a protection against arbitrary power. It has ceased to be a safeguard of personal liberty...It has become the main cause of a progressive and accelerating increase of the power and weight of the administrative machine" (Hayek, 1973–9[III]: 152). Too much faith in a majoritarian "will of the people" leads to tyranny and economic disaster.

The source of Hayek's doubts is that the rules of the market are applied to analyzing the political sphere. As in his "methodological individualism," Hayek precedes the public choice theorists such as Buchanan and Tullock in envisioning politics as a market for votes. Politics for Hayek is a contest over favors and privilege between a wide variety of social groups. Precisely because it is a market in which self-interest rules, the political system cannot depend on the "goodness" of men, but only on the "goodness" of the system.

Democracy does not offer the same kind of systemic guarantee provided by the market. In fact, it appears that Hayek believes that it will usually reward the worst in humans. The mechanism that produces social goods through the pursuit of individual interests in the economic market appears to break down in the political one. Much as in the view of Mancur Olson, interest groups are seen as preventing the achievement of the social good because no one is willing to fight for the market in and of itself. In the market "game," laws are observed and no one tries to change them. In the political game, on the other hand, individuals actively attempt to distort the system of rules for their own benefit. Politics is inherently a "zero-sum" game.

The central problem with politics is excessive expectations. There is always the danger of politicians sacrificing the general good for private and particularistic claims. Democratic governments, unrestrained by binding rules, far from implementing rational plans of omniscient and benevolent legislators, become prey to pressure groups who use sectional demands. These are ultimately destructive of the creative powers of the extended order. Inefficiencies in the economic order can therefore be traced to the meddling of such groups.

The only solution to this dilemma is a limited government and thus a lessened danger of a pernicious public policy. In Hayek's later writings he proposed a political reform centered on a legislative upper house insulated in a variety of ways from direct political pressures. In this case democracy would be made safe through creating barriers to participation and input (Hayek, 1973–9[III]: Ch. 7).

Hayek prophetically describes the collapse of democracy. He notes the inevitable delays in getting anything done while all confer. The inability of democratic assemblies to carry out what seems to be a clear mandate of the people will inevitably cause dissatisfaction with such institutions. Parliaments will come to be regarded as ineffective "talking shops," unable to or incompetent to carry out the tasks for which they have been chosen. The conviction will grow that if efficient planning is to be done, the direction must be "taken out of politics" and placed in the hands of experts – permanent officials or independent autonomous bodies. The cry for an economic dictator is a characteristic stage in the movement toward planning (Hayek, 1994: 69–75). Hayek recognizes that the delays and frustrations with democracy will necessarily favor the taking of power by the "strong" who promise to "get things done" (1994: 151–2).

What is perhaps most interesting about these passages is Hayek's obvious sympathy with those frustrated by democracy, for there is a clear authoritarian affinity in Hayek. Given the obvious optimality of the evolutionary and spontaneous order, those wishing to challenge, change, or exist beyond it are beyond consideration. Hayek often expressed his regret that people were no longer willing to obey a set of rules that they did not understand – the very rules that made an ideal society possible. People must be convinced of the reason for the rules. There is a need for a "vigorous ideological activism" (Vaughn, 1984: 139). The emphasis on the importance of ideas about free markets and liberty is quite similar to Olson's claim that ideology serves as a glue for collective action. That is, we must invoke an ideological rationale for the correct (evolutionary) path of a society.

It is in this critical point that the Hayekian pursuit of economic liberty defined by the market most clearly contradicts his supposed affection for political democracy. Hayek says that planning requires the creation of a common view of the essential values, but is this not also the case with the imposition of the market? Even accepting for the moment that the order of the market is spontaneous and natural, it is clear that people often have to be convinced of this. Just as in socialism, some form of ideological hegemony must exist or the market will not survive the political squabbling between groups.

This emphasis on the need for a social consensus betrays Hayek's basic authoritarian framework. Such ideological dependence is a characteristic of totalitarian rule in which ideology provides people with "the illusion that the system is in harmony with the human order and the order of the universe" (Havel, 1987: 43). The need to accept the functionality and naturalness of the market smacks of anti-democratic coercion. Hayek claims that the spontaneous order is superior since it does not require conformity on ends, but it does require unanimity regarding the basic rules of society. It is not clear why one is more inherently coercive than the other.

What happens when the population, the vast majority, decides that they do not agree with this ideological consensus, when they do not agree to live within the spontaneous order of the market? Hayek's answer is that a society cannot afford to listen to them. No democratic prerogative is legitimate enough to challenge the inescapable rules of the market. Under certain conditions the decision of an autocratic government will be more legitimate than those based on majoritarian principles (Hayek, 1980: 17). Just as he predicted that the planners would impose their rule on recalcitrant populations, so would he support the unfortunate necessity to impose the market on those too blind to their own interests.

Hayekian politics are antithetical to the bargaining which is inherent in democracy. Given the existence of universals as found in the evolutionary order, such bargains would produce imperfect approximations of the "true" reality. Hayek refuses to recognize that different positions *vis-à-vis* public policy are not necessarily the result of differing ideologies or hubristic misunderstandings, but may reflect different positions in a social structure. Legitimate disagreement is therefore impossible.

Even in his most impassioned defenses of liberty one detects in Hayek an affinity not with democracy or liberty, but with following the dictates of history no matter the cost. In the end the sanctity of the economic model is greater than that of the political one.

THE TECHNOCRATIC LEVIATHAN OR MARKET DEMOCRACY?

The same combination of epistemological, economic, and political certainties may be found among the technocrats who have assumed power in so many countries throughout Latin America. Paraphrasing Hayek's views we might characterize the neo-liberal technocratic ideology as consisting of three simple points: a) there are superior forms of knowledge and higher truths than political debate will allow; b) the market is the best means with

which to achieve that knowledge; and c) political and social conflict must not be allowed to interfere with the natural functioning of the market.

The three Hayekian postulates have a long history in Latin America. Both the Mexican *científicos* and Brazilian positivists would have found little in Hayek with which to disagree (with perhaps some debate on the merits of economics vs. engineering and a firmer belief in the superiority of some races and cultures). Foreign missions such as those headed by Edwin Kemmerer in the 1920s and 1930s also found it frustrating when their absolute faith in the architecture of central banks was questioned or frustrated by domestic politics (Drake, 1989). Comments by more contemporary "money doctors" from the IMF and other organizations regarding the problems of working with a government looking towards the next election indicate that frustration with the vagaries of the political market are widespread (Drake, 1994a). Hayek's disregard for democracy also sounds much like the "anti-politics" of the military dictators in the region during much of the 1960s and 1970s (Loveman and Davies, 1989; O'Donnell, 1973). For example, in his discussion of the post-war era Hayek emphasizes the need for sacrifice and "self-adjustment" for the sake of an "ideal end" and berates politicians who do not recognize this necessity (Hayek, 1994: 234). If Hayek saw governmental imposition of socialism as a threat to freedom, can state imposition of capitalism be any different? The goals may be different, the means distressingly similar.

While it may appear as the most innocous, I would judge Hayek's epistemological views as perhaps the most potentially dangerous to a Latin American democracy. With his refusal to acknowledge the legitimacy of social critiques, by his dismissal of "subjectivity," Hayek condemns relevant populations to a historical passivity. By asserting the inherent optimality of the evolutionary social order, Hayek denies the possibility of human agency which is at the heart of any democratic project. Following Hayek's views, only dominant paradigms can be accepted. He has no theory of change except through evolutionary development or "mishandling" by governments. Is it not possible that societies can confront a set of social problems and attempt to alleviate them through improved social institutions? If not, then whatever democracy does exist will be permanently constrained.

Much like Hayek in 1944, contemporary *tecnócratas* see themselves as revolutionaries taking on a decrepit and reactionary statism. They also view themselves as defenders of a "truth" which needs to be protected from populist contamination. In Chile, for example, Chicago Boys counseled that economists should be "impervious to political pressure and motivated by a higher interest in the common good" (Constable and Valenzuela, 1991: 171). They were also convinced that they possessed a monopoly on the truth. This superseded "interests." Technocrats sought ways with which "strengthen the muscle of those politicians who are most driven by concern for the general rather than a particular good" (Williamson, 1994b: 15). Even as they campaigned for votes, they seemed anxious to distinguish themselves from panderers of public preferences. Chile's José Piñera, for example, argued that what Latin America needed was "people who are real leaders rather than politicians" (Piñera, 1994: 231).

Similarly, in Mexico, a cadre of true believers grew tired of the political exchange which characterized the dominant PRI. In its place they sought to create a new society in which the mechanisms of the market would be protected from political vagaries (Centeno, 1994: Ch. 8). In Peru, President Fujimori gathered a great deal of public support through his "presidential coup." The language used by Fujimori in his defense of the imposition of the market could have been taken from Hayek's characterization of socialist planners. Congress was seen a corrupt institution saddling society with a no longer functional economic system that stymied the development of markets.

Hayek's emphasis on the market as the only possible economic organizing principle further limits democratic participation. This is not to deny the obvious superiority of market mechanisms for managing many economic relationships. Hayek denies the possibility, however, that the market may not grow out of competition, but may reflect previous conflicts (including political ones). In the case of Latin America, born out of conquest and slavery, denying that history and the need to redress some of its legacies through legislation requires that significant parts of the population again permanently accept constraints on their possible actions. One can read through the entire collection of Chile's *Estudios Públicos* or the programming documents of Mexico's SPP and yet not find a single reference to history.[4] Much like their fellow economists, *tecnócratas* seemed to believe that "[institutions] arise as the efficient solution to economic problems. This mission and the pervasive functionalism it implies discourage the detailed analysis of social structure that...is the key to understanding how existing institutions arrived at their present state" (Granovetter, 1985: 505).

The most important fallacy in Hayek's political program is the explicit belief in "survival of the fittest" as applied to human beings and social systems. Latin American technocrats adapted this evolutionary language: "Let fall those who must fall. Such is the jungle of economic life. A jungle of savage beasts, where he who can kill the one next to him kills him. That is reality" (Constable and Valenzuela, 1991: 187). Such Darwinism neglects the obvious question of "fit for what?" In the end, the defense of

the market above all other principles requires a leap of faith that has little if anything to do with any pretense to knowledge. Even if we accept an evolutionary view of social development why should history end with capitalism as practiced in Santiago or Mexico City?

Much like Hayek, *tecnócratas* also believed that their policies (much like the market) were socially neutral. Chile's Chicago Boys as well as many in the Salinas team saw the traditional industrial class as an overprotected luxury which had to give way to new more entrepreneurial dynamics. This market meritocracy, however, has everywhere produced greater concentration of wealth and enmiseration for those on the bottom. The "interests" of the market have not tamed the "passions" of inequality and injustice – they may have made them worse.

Finally, Hayek denies that democracy can serve as its own end. By endowing the market or the maintenance of "evolutionary" institutions with a greater legitimacy he places the democratic process in constant danger. Who cannot imagine (or who has not heard) references to the "real spirit" of the nation, to the "general interests" of the people, to the preservation of a sacred "social order" used to challenge those whose only qualification for office is that they have been elected by their fellow citizens? Certainly such an attitude pervaded the *Pinochetista* view of the proper role of a state. At the heart of democratic theory is the sacrosanct principle that the population has a right to be spectacularly wrong. Hayek denies such a claim and in its place suggests vague, more transcendental obligations.

The technocratic "mentality" has a similarly ambivalent relationship with democracy. Technocrats seek to protect the population from its worst political instincts, while implicitly trusting them to make the right economic choices. They might say that they like democracy, but they also express their disdain for "electoralism." Equally contradictory, these men and women publicly disparaged the role of the state in the economy even as they exerted considerable effort to concentrate power in select government institutions. Among the so-called "technopols" who seemed to combine aspects of both a technocratic mentality and a belief in democracy, the latter was preferred because it is "the most effective way in the long run to consolidate their preferred economic policies" (Domínguez, 1997). When faced with the choice of democracy or "economic correctness" (Toye, 1994: 40), they inevitably chose the latter.

Hayek's assault on socialist planners and "social engineers" can be applied to those very same personnel who use his name in defense of the market. In *The Road to Serfdom* Hayek assails those who would try to improve the world by borrowing models from technological analyses and

from natural science, who replace anonymous and impersonal mechanisms with a conscious direction of social forces, who would impose their plans on all citizens. He accuses socialist planners of over-commitment to an economic model, ideological intransigence, inherent elitism, and impatience with democracy. Are the *tecnócratas* aware of this irony? It is interesting that those who cite Hayek as their inspiration seem unaware of the danger they pose to liberty. Theirs is the true fatal conceit of believing that their truth must come before the petty preferences of the populace. By imposing the primacy of the market they lead the continent back to a serfdom from which it has barely escaped.

Notes

1. For Juan Linz, who has always valued democracy for its own sake.
2. See *Latin America Regional Reports: Andean Group*, April 11, 1986, p. 5.
3. The only consistent definition of the "best social system" offered by Hayek is one that can maintain ever larger populations.
4. Even when they possess it, technocrats appear to have obtained their historical conciousness in round-about ways. The oft cited tale of how both Aspe and Salinas learned their Mexican history from John Womack at Harvard is perhaps the best example.

4 Pablo Ramírez: A Political Technocrat Avant-la-Lettre

Patricio Silva

INTRODUCTION

The presence of a powerful group of technocrats at the highest levels of governmental decisionmaking represented one of the most distinctive features of the former military regime in Chile (1973–90).[1] For almost a decade, a group of young neoliberal technocrats, the so-called Chicago Boys, became the main designers and executors of Pinochet's economic policy, while they also contributed decisively to the formulation of the official ideological discourse (cf. Vergara, 1985; Valdés, 1995). Under the leadership of Sergio de Castro, Pinochet's Minister of Finance, the Chicago Boys rapidly expanded their influence to all fields of government (health, education, labor relations, and so forth) producing a real "neoliberal revolution" in the country (Tironi, 1988). Following the restoration of democratic rule in 1990, Chile experienced the rise of a new group of technocrats, the so-called CIEPLAN monks, who in fact in many aspects resembled their neoliberal predecessors (see P. Silva, 1991, 1992).

Contrary to what is generally assumed, the presence of powerful technocratic groups within Chilean governments was not inaugurated by Pinochet. Looking to the origins of the state technocracy in Chile, some scholars indicate the foundation of the Development Corporation (CORFO) in 1938 and the subsequent process of state-led industrialization in the country as its starting point (Pinto, 1985; Muñoz, 1986). However, the origins of Chilean state technocracy must be sought rather in the turbulent decade of the 1920s, particularly under the military rule of Colonel Carlos Ibáñez del Campo (1927–31). In a striking resemblance to the later military regime of Pinochet, Ibáñez invited a group of young technocrats to formulate and execute his ambitious plans to regenerate the Chilean economy and society. Known as the "*cabros* [boys] of Pablo Ramírez" (Edwards Matte, 1937), a group of young *ingenieros* took charge of the most strategic positions in government from which they carried out a

project of institutional modernization of the state (Ibáñez Santa María, 1983; P. Silva, 1994).

This study[2] is centered on the enigmatic figure of Pablo Ramírez, Ibáñez's Minister of Finance, who like Sergio de Castro fifty years later, became the main architect of an ambitious, technocratic-oriented economic and political project, which also was carried out within an authoritarian environment. Notwithstanding his major contribution to the modernization and expansion of Chile's state institutions, Pablo Ramírez remains an unknown figure among Chilean political scientists and historians. This despite the fact that in the period 1912–29 he was a National Deputy for a couple of terms, Minister of Justice and Education, the first National Comptroller of the Republic, and Minister of Finance.[3] The existing lack of literature and information about Pablo Ramírez undoubtedly has much to do with his service under the first government of Carlos Ibáñez. This period is still taboo among contemporary Chilean political scientists and historians, a situation perhaps comparable with the long standing taboo around the *Porfiriato* in Mexico.[4]

Ramírez has to be regarded as an early example of a political technocrat (Camp, 1985), as he successfully combined the technical and practical skills of both technocrats and politicians in his goal to transform Chilean society radically. By focusing on his public life and political evolution, I attempt to highlight the specific historical and political circumstances which strengthened his technocratic *weltanschauung* and later facilitated the rise of Ibáñez's techno-bureaucratic project. Through this exercise we can cast more light on the general conditions which lead to the rise to power of experts and the particular ideological orientation which guides their actions.

THE QUEST FOR TECHNICAL EXPERTISE

Among Chileans the crisis and the final breakdown of the oligarchic state in the early 1920s produced a deep feeling of discontent with the parliamentary system which had been inaugurated in 1891. The general dissatisfaction with the existing order was reflected in the publication during those years of several critical essays denouncing the social, political, and moral decline of the nation. These attacked the weak and inefficient parliamentary regime, stressing the need to strengthen executive power and to modernize governmental institutions. It was a period in which the prestige of parliamentary democracy in general, and politicians in particular, had totally evaporated. As Góngora concluded in a reflection about this

particular period of Chilean history, "parliamentarism was morally, intellectually, and politically, completely discredited, according to the most varied testimonies" (1988: 130).

The crisis of the oligarchic order reached its final phase when the state's main financial support abruptly disappeared as a result of the collapse of the saltpeter economy following the end of the First World War. This produced a severe economic crisis, which led to the dramatic reduction in incomes, and to an explosive exacerbation of social and political tensions in the country. The overall dissatisfaction with politics and politicians, combined with an all-embracing appeal for the modernization of the state, created a propitious climate for the adoption of so-called "technical and apolitical" policies by the post-oligarchic governments. Indeed, the administrative reforms and the expansion of the state institutions initiated under the first government of Arturo Alessandri (1920–5) were legitimated mainly on the basis of arguments stressing the need to achieve efficiency and technical excellence in the management of state affairs.

The decision to integrate people with technical backgrounds into the state apparatus was part of a clear-cut political strategy, which realized that their professional competence and authority could function as a force for pacification in a very polarized polity. As Ibáñez Santa María has pointed out "the government hoped that these *técnicos* would be able to solve the fundamental problems affecting national stability and harmony through technical planning and the successful execution of their administrative tasks" (Ibáñez Santa María, 1983: 99)

Under the first government of Colonel Carlos Ibáñez del Campo technical expertise reached a pivotal place in his plans to build a strong and efficient state. With this purpose in mind, he attempted to isolate the public administration completely from political activities in order to avoid its subordination to parliamentary debates and party interests. By banning "politics" from the functioning of the state apparatus, Ibáñez gave the state activities a purely administrative character. The emphasis put on administration by the Ibáñez regime was so great that Góngora could conclude categorically: "from May 1927 until July 1931 Chile had to live without national politics; there was only administration" (Góngora, 1988: 170).

THE GENESIS OF A POLITICAL TECHNOCRAT

Pablo Ramírez Rodríguez was born in Valparaíso in 1885 to a comfortable middle class family. He obtained his primary and secondary education at the Colegio MacKay, the Seminario of Valparaíso and from the Padres

Franceses. Then he went to Santiago to study law. He spent his first four years at the Universidad Católica, but he then transferred to the Universidad de Chile, apparently because the latter served as the center of the Chilean University students' movement. He was a brilliant student and soon became well-known in university political circles because of his excellent oratory and highly combative debating style. In 1908 he obtained his law degree. In that year he presented a paper on matrimonial property law at the Scientific Congress of the Radical Party, which brought him into contact with members of the party leadership. The following year, he became a member of the Radical Party and began his rapid rise to political prominence. In 1912 he was elected National Deputy for the Radical party,[5] representing the provinces of Valdivia and Villarrica, later being re-elected for the province of La Unión. He became the *enfant terrible* of the Parliament as he did not spare anything or anyone in his resolute criticism of the oligarchic regime. He was soon a well-known national political figure and in May 1919, at the age of 34, he was asked by President José Luis Sanfuentes to become Minister of Justice and Education (Figueroa, 1931: 602-5).

Ramírez's parliamentary and political speeches of this period[6] not only display his political thought but also represent a vivid historical testimony to the breakdown of the oligarchic parliamentary regime, which came to an end with the rise of the middle classes to power after the dramatic victory of Arturo Alessandri in the 1920 presidential elections. The speeches reflect Ramírez's growing disappointment with the governing Liberal Alliance as it become clear that Alessandri was not going to deliver the promised profound changes in Chilean politics and society. These speeches also show Ramírez's meritocratic and scientifically-oriented *weltanschauung*, as well as his concern with the modernization of all aspects of Chilean society.

The social question

In the late 1910s, Ramírez was perhaps the member of Parliament most conscious of the profound political changes which were about to take place in the country. He was above all extremely aware of the very real danger that the country could slide towards a dramatic social confrontation between the oligarchy and the social forces which demanded profound social and political changes. The radical senator Armando Quezada presented Ramírez's thought as a moderating alternative "between the stubbornness of the reactionary forces, which are not disposed to give anything away to the new spirit, and the [left wing] extremism which aspires to

bring the social fabric down from its foundations" (Ramírez, 1921a: vii–viii). As Ramírez pointed out, he condemned both "the tyranny from above and the anarchy from below" (Ramírez 1921b: 52).

Ramírez's main objective was the elimination of the oligarchic order. He was clearly less worried by the ascendance of the popular sector. As he once indicated "it is necessary in Chile to facilitate the entry into Parliament of the largest number of workers' representatives possible. We must incorporate them into the political process in order to search for solutions to their problems within the bounds of constitutional norms" (Ramírez, 1921a: 43–4).

He was also familiar with Lenin's ideas and followed the revolutionary events in Russia very closely. Although he made it plain he was not a supporter of that regime, he repeatedly passed favorable comments on it:

> At this moment Russia is an immense laboratory in which Europe's most cultivated intelligences are shaping the mankind of the future. I said Europe's most cultivated, because it is obvious that the clumsy Tsarist persecutions created two Russias: the Russia of the Muzhiks within its territory, and an intellectual Russia which traveled in exile throughout the nations with the highest social culture of Europe. It was the latter Russia which made the Maximalist revolution (Ramírez, 1921b: 45).

Ramírez's message to the ruling class was unambiguous: if it wanted to avoid a social revolution it had to enforce advanced social legislation like that recently passed by some European nations. He refrained from saying that he knew that the adoption of an advanced social legislation could only provide a temporary solution, as social conflicts required real changes in societal relations.

> I do not expect that by introducing the labor legislation we are going to solve the problem. No. As long as societies have not regulated the advent of the proletariat to economic power and have not admitted it to the intimacy of production; as long as it remains treated as an external, mechanical agent and it cannot participate in its deserved share, as long as economic relations are determined more by hazard and force than by reason and equity; the social question will persist" (Ramírez, 1921b: 46–7).

Democracy and efficiency

Another recurrent concern in Ramírez's parliamentary interventions was the inability of the oligarchic regime to provide an efficient government which could really rule the country. His persistent criticism of Chile's parliamentary system must not be immediately interpreted as evidence of the adoption of an authoritarian stance. It must be said that Ramírez, at least in the beginning, was not criticizing democracy *per se*, but an oligarchic regime which was extremely conservative, socially exclusive, exceptionally inefficient, and in an advanced state of decomposition. However, from the very beginning he left no doubt about his support for the idea of "strong" government. As he once stated, "in the government generated by the parliamentary regime, which is technically called 'cabinet government', the cabinet miss the most fundamental capacities to govern. ... A government without the capacities to accomplish its objectives is just a nominal government" (Ramírez, 1921a: 10–11). In fact, his plea in favor of a democratic system in which government and president would possess more power in the political decisionmaking, was nothing more than a plea for the system which eventually came into force in 1920, i.e., presidential democracy.

His attacks on the Chilean parliamentary system were primarily directed against the "parliamentary ordinance" (Reglamento de las Cámaras) which allowed endless debates, deliberately extended by those sectors interested in postponing the adoption of a particular legislation. This frustrated any attempt to modernize the existing legislation and even stood in the way of the functioning of the government. He understood this was one of the most powerful political instruments of the oligarchic forces. In a speech to the youth of the radical party, Ramírez declared: "to reach the enemy, it is necessary to cross a point, an unassailable location; from that bastion, firmly entrenched, the Church, capitalism, and all the established interests offer resistance. There we find the entire reactionary forces forming a guard of honor. That impenetrable dug-out is called parliamentary ordinance" (Ramírez, 1921a: 14).

This speech produced a strong reaction. The right-wing press accused Ramírez of having attacked private property, religion, and the family. In a later parliamentary debate, in which he defended himself against this wave of criticism, he used a series of technocratic arguments to support his opinions. He legitimized his attack on the "parliamentary ordinance" by refering to modernity, efficiency, and science: "When I asked for an improvement in our parliamentary system via the reform of its rules on the closure of debates – in order to permit the organization of a solid and efficient government which could adapt itself to the demands of modern progress – I did not do this as a revolutionary but as a man of order who is looking for the calm and scientific evolution of society" (Ramírez, 1921a: 25). Time and again, he referred to recent experiences in European countries such as France, England, and Germany to support his arguments in

favor of specific measures. It is evident that Europe represented the prime source of modernity for him: "In all modern countries new parliamentary reforms have been introduced, in order to strengthen the authority of the Cabinet and to reduce the length of the debates" (Ramírez, 1921b: 31). After this, he gave a detailed description of the reforms introduced in England and France to achieve this purpose.

Finally, he linked the existence of this ordinance to the mediocrity of Chilean politicians. He claimed this ordinance had led to "the perpetuation of many mediocrities in the Cabinets" (Ramírez, 1921b: 53). "This vicious ordinance is ... the generator of moral cowardice, the godfather of the conceited mediocrities who have generally governed the country" (Ramírez, 1921b: 54).

Meritocracy as tool for social renovation

Ramírez could not mask his contempt for the Chilean traditional elite, the clergy, and the social forces and ideas which had contributed to the survival of the old oligarchic regime. He possessed a strong middle-class conscience which led him to reject the privileges the ruling class obtained and maintained solely because of the social origin of its members. The mesocratic spirit which inspired Ramírez in his parliamentary life clearly emerged in a speech commenting on the results of the parliamentary elections of May 1921, in which the right-wing parties experienced a dramatic defeat. He proclaimed this event as the real end of the oligarchic regime in Chile and declared that the class struggle in Chile was not between the bourgeoisie and the proletariat, but between the oligarchy and the middle classes: "The history of our country is the history of two classes. On the one hand, the aristocracy, who built the Republic, possesses the land and has the support of the clergy. On the other hand, we have a democracy which is supported by the middle classes, whose vigorous character is now beginning to burgeon" (Ramírez, 1921b: 36).[7]

His meritocratic orientation pushed most strongly to the fore when he became Minister of Education. He was one of the most fervent supporters of the adoption of the Law on Compulsory Education: this was an explicit attempt to eliminate or reduce the class advantages the upper classes enjoyed, over the rest of the community, derived from their access to better education. His meritocratic view went hand in hand with his obsession to achieve the modernization of the country in the fastest possible tempo. From this perspective, Ramírez regarded the introduction of a system of compulsory primary education as an indispensable condition for the achievement of modernization. In a speech to the Senate in June 1919, which opened the debate on the proposed law, he said: "In the budget of a democracy, the priorities in the expenditure – which in the past were decided by the monarch and the privileged castes – are now given to the education of the poor. The very existence of a modern nation is indivisible from compulsory schooling, which constitutes its solid and lasting basis" (Ramírez, 1921a: 2). In a later debate he again defended the adoption of this law by referring to its positive impact on modernization: "If one knows what a modern state is, if one understands the importance which the education of upcoming generations – particularly of the popular classes – holds for the organization of the state, then one can comprehend the expediency for voting this law in" (Ramírez, 1921a: 21).

His meritocratic *weltanschauung* is also plainly revealed in his constant criticism of the *mediocrity* of the country's political elite, underlining the need for generational renovation. In a speech to the Parliament in August 1920 he spoke of the need to overhaul the political class in order to be able to face the challenges posed by modern times. "The present situation not only finds us without the required instrument of governance, but also with a ruling personnel which is inadequate to deal with the circumstances. Everywhere, public service has necessitated the elimination of those persons who, stricken by their advanced age, are no longer able to contribute effectively to national development." This attack was not addressed only at the aristocratic old guard, but was aimed also at the aged leadership of his own party. In a discussion with an elderly radical senator, Ramírez exclaimed: "The generation to which I belong is very daring and quite free of prejudices. ... The honorable senator, a survivor of a glorious past, is no longer sensitive to the palpitation of the new generations of his own party; he no longer comprehends many things and many men" (Ramírez, 1921a: 7–8). His intransigent stance and his direct style made him many enemies, particularly within conservative circles, which would waste no opportunity to criticize him through Parliament and the press in the years which followed.

In short, even when serving as an elected official, Ramírez expressed three key elements common in technocratic thinking: a) a disdain for tradition in and of itself; b) a faith in the revolutionary power of merit; and c) a commitment to efficiency as the core principle of government.

The disenchantment with democracy

The electoral victory of Arturo Alessandri in 1920 had created great expectations among the middle classes and the popular sectors, as the oligarchic forces had finally lost their grip on the government. Alessandri's

Liberal Alliance had promised to carry out profound social reforms and to initiate a political regeneration of the country by eliminating the vicious political practices of the old regime.

As Ramírez stated during a Chamber session, the 1920 elections should mark the point of departure for a genuine and sweeping social revolution in Chile (Pike, 1963: 174). It did not take long for Ramírez's initial optimism about the new political scenario in the country to recede. He became increasingly skeptical about the new authorities' ability and political commitment to implement the required reforms. The fact his party was a member of the ruling coalition did not deter him from openly criticizing the government's performance. For instance, he argued with Alessandri's Minister of the Interior (and later president) Pedro Aguirre Cerda: "I have not yet seen the determination to tackle the important problems which are still afflicting the country. The [Conservative] coalition has been defeated, but it seems that its spirit and its methods of government have survived." Prophetically, he warned Parliament and the government that if the promised but still pending legislation was not adopted soon "sixty thousand men [an allusion to the Armed Forces] will turn against the Senate and the Chamber of Deputies, forcing them to adopt the reform program of the Liberal Alliance..." (Ramírez, 1921b: 10). This was exactly what finally eventuated in September 1924.

Parliament had not only continued its traditional practice of blocking government initiatives, Alessandri also gave no sign he was planning to break with the old custom of making "deals" with the opposition for each measure he wanted to adopt. Ramírez hated this chicanery: "In Chile people do not argue to convince but to establish the basis for a transaction. ... Here Ministers govern by relinquishing; in other countries, by resisting and fighting" (Ramírez, 1921b: 53).

Ramírez praised Alessandri for motivating the Chilean people, but he demanded results: "Alessandri has touched the country with his words, now he has the obligation to touch it with his deeds" (Ramírez, 1921b: 43). He demanded Alessandri fulfill a series of objectives which also plainly revealed Ramírez's own priorities: "To fight for the renewal of values, in an ordered and evolutionary fashion; to unfold the embryonic natural resources of this still poor country; to introduce a labor legislation according to our traditions, ... [and] to conclude Chamber debates by a simple majority" (Ramírez, 1921b: 44).

Ramírez had a very clear-sighted picture of the serious economic and financial problems with which the country would have to deal in the years to come. In the first place, he linked the crisis in the saltpeter industry to the urgent need to increase tax revenues to finance state expenditure. As

he pointed out, saltpeter has been "heaven-sent riches, helping us to cover all expenditure; but today the saltpeter industry is in the throes of a crisis and tomorrow, if it disappears, these resources will have to come from the tax-payers' pockets. In Chile today, as a result of the oligarchic system of indirect taxation, most of the burdens lie almost exclusively on the poorest classes" (Ramírez, 1921b: 12). He stressed the urgent need to establish a system of direct taxation in which the wealthiest social groups would have to pay the lion's share of the tax contributions: "we will see the tax burdens lifted from the shoulders of the poor and imposed on the rich" (Ramírez, 1921b: 48).

In his proposals, he realized that the financial problems of the state could not be solved by merely obtaining more tax revenues. He also proposed a fundamental transformation of the country's public administration. On May 13, 1921 he delivered his final address to Parliament calling for the administrative reform of the state: "The Chilean public administration is one of the most annoying and expensive of the world. The technical and organizational methods being used in model countries are totally unknown here, while the selection of personnel is ruled by the clumsy favors of politicking. The public administration requires a complete and radical reform to permit a rapid, technically based, and cheap management of the public services" (Ramírez, 1921b: 48).

Although Ramírez became Consejero de Estado in 1921, the gap between him and Alessandri widened, eventually deteriorating into open enmity. In March 1922, during a parliamentary debate, Ramírez even demanded Alessandri's resignation. As Nunn comments, "Ramírez's tirade ended in an unveiled demand that Alessandri admit his failure and get out of public office. Ramírez stated: 'O'Higgins ... handed over the reigns of government. Balmaceda put an end to his life with his own hands.' Ramírez did not need to press his point" (Nunn, 1970: 34).[8] This demonstrated the extent of the political crisis, as Chile became ungovernable due to the continuous conflict between Alessandri and Parliament, exacerbated by the social conflict simmering throughout the country. After the military intervention of September 5, 1924, Ramírez temporarily withdrew from active political life.

IBAÑEZ'S AUTHORITARIAN TECHNOCRATIC PROJECT

Ramírez came back onto the political scene in February 1927, when Ibáñez, Minister of the Interior of the president, Emiliano Figueroa, appointed him Minister of Finance in a historic cabinet reshuffle. Ibáñez

had already indisputably become the strong man of Chilean politics, counting on widespread support among the population.[9] The "February Cabinet", as it became known, was composed of men of action who were committed to profound reforms in all fields of Chilean society, in order to build the foundations of what they called a "New Chile."

The relationship between the civil society and the technocracy has generally been approached from a negative perspective, i.e. by stressing the ways in which public opinion can constitute an *obstacle* to the expansion of technocrats' influence (cf. Meynaud, 1968: 131–2). Less attention has been paid to situations in which public opinion can *facilitate* the adoption of technocratic solutions. Although the latter situation is less common, in my opinion it was a decisive factor in the emergence of a technocratic cabinet in 1927. The Chilean population was extremely tired of politicking and of incompetent governments. Many supported the establishment of a powerful cabinet of new, capable, well-prepared and non-political figures. It was the perceived general failure of the political class and their political organizations which permitted the emergence of the technocratic solution (cf. P. Silva, 1994).[10] The general "anti-politics mood" then pervading the country is palpable in all the publications of that time. For instance, the announcement of the "February Cabinet" was welcomed by *La Nación* in the following terms:

> The new cabinet convenes in the La Moneda palace in the name of an energetic policy, searching for solutions to the national problems.... Ibáñez has formed a cabinet which brings together a group of young personalities enjoying solid prestige, whose public activities have been characterized by their modern ideas about managing the state. ... They have generally lived apart from the everyday political circles, but not from public matters, as they possess a first-hand knowledge of national problems. ... The idea is to create a strong government. This constitutes an aspiration which is shared by the large majority of the national forces who daily observe the effects of the absence of an efficient, vigorous and reliable governmental action across the country. (February 10, 1927: 3)

In this general mood of renewal, Ramírez personified best the cabinet's firm decision to act fast and without rumination.[11] His remarkable zest for work, and his uncommon speed at making decisions and translating these into policy, was really striking.[12] A few days after his appointment Ramírez informed the press about his plans for the reorganization of Chilean economy and public institutions in the following terms:

> My first objective is to solve the saltpeter problem .... My second purpose is to get rid of ... useless functionaries and other inconceivable

> burdens. The third goal is to achieve an effective organization of tax collection .... The fourth objective is the organization of the state finances, which it is safe to say does not exist: because there is neither control nor coordination. ... After having solved these problems – and in the possession of an administrative instrument which will provide a maximum range of efficient services – the government will launch a vigorous program for the active protection of all national industries. The task is arduous, painful, but necessary and we are fulfilling it giving real merit true justice, thereby establishing real democracy. Neither privileged position nor fortune nor political stratagems will be considered in our decisions. (quoted in Montero, 1937: 75–6)

Ramírez maintained that state agencies should function according to the same standards of excellence as those used by modern industry. As he pointed out during those initial days:

> The Ministry of Finance thinks that in order to start with the organization of the public services, the idea of the public administration as being an organization of beneficence – characteristic of decaying nations – has to be totally abandoned. The public services have to be ruled by the same basic principles which have been used by the private business in achieving succes.... It is the government's obligation to procure that public services are efficiently managed in order to keep a balanced fiscal budget. This represents a basic principle of any responsible administration. ... Good public employees must be remunerated well, while bad and useless functionaries must quit the service. The organization of the state services must be based on the principles which rule commercial business. In order to realize this reform, in each branch of the service a commission will be appointed, preferably with the inclusion of young technicians, because the chiefs of the service have generally not fulfilled these objectives. (*Las Ultimas Noticias*, February 16, 1927: 7)

The moral crusade

Ibáñez and his "February Cabinet" soon became a symbol of the national desire to re-establish integrity and sobriety in Chilean public affairs.[13] The moral regeneration of the country was Ibáñez's main goal: "The purposes of this government can be reduced to a single one: achieving the moral ... resurgence of the country.... We have already begun with the task of political sanitarization.... In order to guarantee respect for morality we will

pursue our duty unwaveringly. We will eradicate the ills and the rottenness, accumulated after so many years of administrative disorder and political *compadrazgos*" (*La Nación*, March 13, 1927: 17). This resulted in a veritable moral crusade against corruption at all levels of the state institutions, accompanied by a marked strengthening of the regime's authoritarian nature.

It was Minister Ramírez himself who personally took charge of the struggle against corruption and mismanagement within the public administration. He began with the most sensitive departments: the Oficina de Impuestos Internos (Taxation Department), and the Oficina de Especies Valoradas (Department of Customs and Excise). At Impuestos Internos a major swindle was discovered in which its director was directly involved. When the police attempted to arrest him he committed suicide. This tragedy shocked public opinion, but it also gave a clear warning to everyone that the government was really combating corruption at all levels. The Impuestos Internos-affair also showed the population how far corruption had spread within important public institutions.

The next target was the Oficina de Especies Valoradas. Many months before the appointment of the "February Cabinet" it had been discovered that its director had attempted to transfer his own private losses incurred by speculative playing at the stock market to the institutional account. The justice system was not prepared to collaborate in dealing with this case as the judge in charge deliberately delayed and obstructed the passing of a sentence. Making use of the extensive powers which had been conferred to it by the Parliament, the government took the exceptional decision to dismiss the judge in question, together with a dozen other magistrates across the country who had shown notorious negligence or had even been involved in complicity when hearing criminal cases (*El Mercurio*, March 16, 1927: 13). Edwards Matte later commented on this, "the entire country applauded this measure" (1937: 12).

Ramírez and his men also began a comprehensive reform of the entire public administration. "From his office Ramírez controlled all the public services and for some time came to be a sort of universal minister" (Galdames, 1941: 382). Entire institutions and departments were abolished, institutions with overlapping tasks were combined, and interministerial coordinating entities were created. This operation resulted in the lost of four thousand public service jobs (Haring, 1931: 24). The press firmly supported the cleaning-up of the state bureaucracy. As Pike comments, "...for the first time some degree of scientific efficiency was introduced into the Chilean bureaucracy" (1963: 196). Although public opinion strongly supported these measures for obtaining economies and efficiency in the public administration, the battalion of dismissed public functionaries would be among the foremost enemies of Pablo Ramírez, as they identified him as the brain behind this massive purge.

Taxation

With the same assurance that characterized his parliamentary career, Ramírez aggressively defended his plans to transform the taxation system in order to put an end to the traditional evasion. He again successfully combined technocratic arguments with anti-oligarchic charges to defend his viewpoints: "The government position is forceful, because it is based on technical knowledge, experience, universal legislation, and the reports presented by the experts of the Kemmerer commission."[14] He accused conservative groups of "doing their best to cover up the absurd privileges of the great proprietors to help reduce the already tiny amount of money they pay in tax contributions." Moreover, he depicted the existing tax system in terms of an "aristocratic conquest of Chile's organized capitalism, created for the advantage of the opulent and to the detriment of the entire country, the working classes in particular." Finally, he accused the members of Parliament of utilizing stratagems of the old oligarchic regime as they tried to concert their opposition to the new legislation (*El Diario Ilustrado*, June 15, 1927: 5).

Ramírez had in fact carefully prepared the ground before this final confrontation with Parliament on taxation. In the months previous to this he had contacted representatives of several social and economic sectors, asking them for their support in the government's efforts to improve the national tax system. He even directed an unusual letter to the president of the Supreme Court, asking for the law to be applied severely to those attempting to evade taxation. This was tantamount to an indirect criticism of the usual laxity shown by many judges in cases of tax arrears. In that letter Ramírez stated:

> It is not the intention of the government to influence the sentences of the tribunals, for we are the first to recognize their autonomy. However, we find it is our duty to require of those in whose hands lies the supreme inspection of the magistrature, to adopt a firm stand on this. There must be no reason which could allow even the shadow of a doubt that the state – either through weakness or complacence – is not able to obtain the revenues necessary for the maintenance of public services. ... I earnestly beseech you to require that the functionaries in your institution show a better spirit of cooperation with the government's goal of national reconstruction (*El Mercurio*, March 12, 1927: 9).

To Ramírez, tax-evasion also represented a cultural problem, which accordingly demanded a cultural change in the Chilean population to redress it. For this purpose he even sent a quite peculiar letter to the leader of the Chilean Catholic church, Archbishop Monsignor Crescente Errázuriz, asking him for help in the task of inculcating the value of tax-paying among Chileans. He wrote:

> This Ministry considers that within the national conscience there is neither a propensity for paying taxes nor a convention of either honest income declaration or the payment of dues to the community. On the contrary, the number of contributors who resort to dishonest methods to avoid the observance of their duties towards the state is not a few. This serious situation demands that the government make an appeal to all the moral forces in order to obtain their essential help for the sake of the national reconstruction. ... We ask you to make use of your high spiritual position to induce the taxpayers to make an honest and correct discharge of their obligations toward the state, and to influence the public to desist from their stubborn resistance against the state's legitimate right to ask them for tax contributions"[15]

Team building and the colonization of the state

The elimination of personnel from public services was motivated not only by the purpose of conserving financial resources, and increasing administrative efficiency. This measure was also used to replace the old state personnel with a new generation which would be able to implement the ambitious developmental programs of the government. Ramírez was searching for a group of young men who were technically competent, apolitical, honest, and desperate to prove themselves. He sagaciously focused his attention on the engineers. They were indeed the most suitable group of professionals to shape and to implement his technocratic plans, as they had assimilated the principles of meritocracy, technical excellency, and apoliticism during their technical training. As Haring states, the Ibáñez government "made a clean sweep of the ministry of finance and introduced an entirely new personnel. Virtually all of the latter were engineers, as contrasted with the lawyer element which previously monopolized such offices. The were inexperienced, but under the guidance of the minister of finance, Pablo Ramírez, ... they have proved to be an honest, intelligent, and progressive group of men" (Haring, 1931: 23).[16]

The professional association of university-trained engineers, the Instituto de Ingenieros de Chile, did not hide its delight at the new professional

opportunities offered its members. Its institutional journal, *Anales*, repeatedly praised the government and celebrated its own role in the public administration. In the issue of June 1927, in its first page *Anales* reproduces a letter from Pablo Ramírez to the president of the institute, Ing. Rodolfo Jaramillo, in which he reaffirms his intention to encourage the access of Chilean engineers to several new institutions related to the saltpeter industry. In December that year, the editorial of *Anales* is dedicated to the theme "the government and the engineers" in which among other things it says: "The Minister of Finance, by bringing the national engineers to the highest posts within the public administration, has learnt to value and to employ the cooperation of engineers, who are always ready to participate in every task waiting to be carried out which, without the hindrance of sterile political and social doctrines, is really focused on the economic reconstruction of the country .... Mr Pablo Ramírez, a modern leader, has understood this and has asked engineers to work for it." This *Anales* issue also reproduces a new letter from Pablo Ramírez addressed to the president of the institute, in which he stresses the competence and outstanding technical performance of the many engineers already working in the public administration. He also informs him of his intention to expand the presence of these professionals in the state machinery even more. Ramírez implicitly stresses the meritocratic and apolitical nature of their recruitment when he adds: "they were called to take charge of important positions, which were formerly occupied only in accordance with the political pressure exercised by the different political parties." Engineers gained control of top positions within the public administration such as National Comptroller, Superintendent of Insurance, Superintendent of the Saltpeter Industry, Superintendent of the Customs House, Director of the Inland Revenue, Director of Administration for State Supplies, Chief of the Department of Industry of the Ministry of Development, Chief of the Department of Commerce of the same ministry and many other functions.[17]

Just as it can be said that Ramírez was Ibáñez' right hand, Raúl Simón, an engineer, was definitely the man behind Ramírez. This young (aged 34 in 1927) and very bright engineer was Ramírez's closest adviser.[18] He was behind all the major economic and financial decisions, and the architect of most of the legal decrees and programs dealing with financial matters, public works, and economic development in general. Moreover, Simón was a leading figure within the Instituto de Ingenieros, playing a key role in the recruitment of new engineers for the public administration.

During the Ibáñez government, the services of engineers were required not only at the managerial levels. They also constituted the main professional group in charge of the technical implementation of the huge

program of public works deployed by Ibáñez. Under his government, Chilean engineers obtained the historical chance (and the required financial resources) to deploy their professional skills fully in the constructions of numerous public buildings, roads, railways and stations, industrial complexes, tunnels, port facilities, irrigation channels, sewage systems, and so forth. This public works program also constituted a key instrument in Ramírez's objective to reduce unemployment and to stimulate the domestic economy in general.

The Ibáñez government could count on a generally good reception abroad, as people praised his ability to re-establish authority and political order in the country, as well as the standard of administrative efficiency achieved. This allowed Minister Ramírez to obtain large sums in foreign loans to finance the reform of the public administration and the huge program of public works. Ramírez's policy on foreign loans later constituted one of the most discussed and criticized aspects of his ministerial period (cf. Contreras Guzmán, 1942: 161–2). The fact remains that thanks to these loans Chile was able to reduce substantially the negative effects of the saltpeter crisis which began in the late 1910s, to maintain economic and financial stability, and to keep the people at work until Ibáñez' fall in 1931. This occurred when the world depression had already hit most of the other Latin American countries. In Ramírez' eyes, foreign loans represented a modern and strategic instrument for encouraging national economic growth and development. As Nunn has correctly indicated, "The 'política prestamista' [loan policy] ... and ... public works ... rarely receive objective treatment by Chileans. To some this was the beginning of Modern Chile's economic woes (an unjust accusation) or a continuation of unsound government economic policy, heightened by dependence of foreign capital and soundingly punctuated by financial collapse in 1930–1. To others, some of whom criticized Ibáñez in other areas, public works and modernization, however dependent on outside financing, created a new Chile" (1970: 148–9).

The saltpeter question

As Ramírez declared following his appointment at the Ministry of Finance, his first priority would be the reactivation of the saltpeter industry, which accounted for about 50 percent of Chilean exports. Competition with synthetic nitrite production in Western Europe and the United States, technical problems, and union unrest at the saltpeter *oficinas* triggered off a severe depression in this strategic sector of the Chilean economy. This had an immediate impact on the country's finances, as for the last fifty

years the export taxes paid by Chilean and foreign saltpeter companies operating in the northern region had represented the main source of income for the national treasury.

The "February Cabinet" had to deal with a difficult situation as the private nitrite companies demanded the derogation of the export taxes. They claimed this was the only way to avoid total paralysis in the sector. Directly after his appointment, Ramírez summoned the president of the Saltpeter Producers Association to his office. On that occasion, he informed him that the government was not going to accept their demand, as it considered it an un-patriotic act in contradiction to the national interest. He also asked him to restart production in those *oficinas* which had ceased working, otherwise they would receive a financial penalty in a form of an additional tax (*La Nación*, February 13, 1927: 19).

The importance of the saltpeter question was not simply economic. It also possessed a very sensitive political dimension as for many Chileans the firm control of this industry exercised by foreign companies was the symbol of the imperialistic domination of the country's natural resources. Since the end of the War of the Pacific, this industry had become a virtually autonomous domain free of direct state intervention. The Chilean state had only a "delegación fiscal salitera" which had actually been reduced to a mere decorative agency without any practical attributes (Montero, 1937: 76–7). The failed attempt by President José Manuel Balmaceda to impose a larger degree of national control on the saltpeter industry in the late 1880s still represented a major source of inspiration to many Chileans who saw him as a victim of a joint conspiracy between foreign imperialism and the national oligarchy. As Nunn points out, Ramírez was almost fanatical in his evocation of *Balmacedismo* (1970: 131). For Ramírez and many other countrymen, Balmaceda represented a honest nationalist government which was brought down by the same social and political forces against which he had fought since 1912 as a member of the Parliament.[19]

Ramírez also made no bones about the fact the government was planning to play a more active role in this economic sector, at the same time he used the opportunity to show his contempt for the aristocratic groups controlling this industry:

> The times in which the saltpeter problem is discussed in aristocratic gatherings are over. Those meetings were only accessible to a few initiates who always alleged that the problem was too complex and delicate, and that the country could trust only in particular gentlemen. They were considered to possess an extraordinary competence to deal with the matter, which they veiled in an impenetrable mystery. The principal

political leaders of the country were simultaneously lawyers and representatives of the saltpeter producers. Historically, the entire relationship between the state and the saltpeter producers has been characterized by the absolute lack of general regulations: from the side of the state, there was a complacent weakness and ignorance; from the side of the saltpeter producers, a poor business policy which often adversely affected the fiscal interest. The fact is that the saltpeter industry is a national industry, and that the government, as its protector, must ensure that the national interests are served first, and that the producers' interests only come in second place (*La Nación*, September 29, 1927: 17).

Following Ramírez's admonition, the saltpeter companies adopted a fairly challenging attitude towards the government as a signal that they were not disposed to accept a larger degree of state intrussion in what they were accustomed to see as their exclusive preserve. However, after a communiqué from the Minister of the Interior, in which he delivered a final warning to the producers in the strongest words, the latter relinquished their attitude and later announced their willingness to collaborate with the government. Within a few days many *oficinas* had resumed production. Ramírez was out for more than a temporary solution for the saltpeter industry which was shown a month later when he sent Congress a legal proposal for the creation of the Superintendencia del Salitre y Yodo, a technical institution of which the task would be to study and to resolve the existing problems related to the production and marketing of Chilean saltpeter.[20]

The saltpeter question also shows that Ramírez was very aware of the fact that the solution for the national economic problems should not be sought internally only. Also required was a more active and audacious attitude towards both financial partners and economic competitors from the country. Mid-March 1929 Ramírez launched an extended mission to the United States and several European countries.[21] In New York he met bankers and investors, while in Washington he had a meeting at the White House with President Herbert C. Hoover.[22] He followed this stage of the trip by going to London, where he had talks with nitrite producers and bankers. Abroad Ramírez explicitly stressed the technocratic nature of Ibáñez's government, presenting this as one of its greatest assets. In London he stated: "our government today is exclusively technical; the engineer, the banker, and the expert in economic affairs have replaced the professional politician. In this way, the government has been able to restore economic activity, to solve the saltpeter crisis, to initiate a huge plan of public works, to obtain an adequate return of tax revenues, to control the money resources, and to organize the credit system"

(*La Nación*, May 17, 1929: 10). In Germany he visited the main synthetic nitrite companies, where he signed cooperation agreements. His trip ended in Paris where the main topic for discussion was financial matters. In each country he visited he was received by the highest political leaders, showing the country's international prestige and the interest prevailing in Chile's saltpeter industry.

A few weeks after his return to Chile, Ramírez left the Ministry of Finance during the cabinet reshuffle of 23 August, being replaced by his friend and close associate, Ing. Rodolfo Jaramillo. The reason for his departure is still unclear, as nothing indicates he had problems with Ibáñez or that his departure took place in a fit of pique. The most plausible explanation is that he decided to dedicate himself fully to the detailed development of the saltpeter policy, both in Chile and abroad. In any case, after his return to Chile he began to work on the creation of the Chilean Saltpeter Corporation (COSACH), an inventive formula to regulate the production and marketing of Chilean saltpeter in an attempt to improve the sale conditions for this product in the international markets through a quota system. This constitutes an early case of a *joint venture* between the Chilean state and the local and foreign companies exploiting Chilean saltpeter, dividing the Corporation's shares into equal parts. The COSACH initiative was criticized for several reasons. While the conservatives perceived this as an unacceptable intrusion by the state in private business affairs, the communists denounced it as a victory for American imperialism, as they argued that the Guggenheim interests, the American company which controlled the largest part of the saltpeter production, had been strengthened by this deal (Pike, 1963: 198; Ramírez Necochea, 1970: 231).

This and other initiatives eventually did not prosper, as during 1931 the Chilean economy began to suffer severely from the world depression. This triggered off an increasing social and political unrest in the country, which would finally led to the fall of the Ibáñez regime in July 1931, followed by a period of political anarchy. Ramírez did not personally experience the terminal phase of the Ibáñez government as in 1931 he was in Paris where for a while he continued to represent Chilean financial and economic interests in Europe.

CONCLUDING REMARKS

With the fall of the Ibáñez government a period of profound political and administrative transformation came to an end. In just four years, the Chilean state had been radically restructured and modernized under the

banner of austerity and efficiency. Pablo Ramírez had indeed been the brain behind these structural changes which constituted an unequivocal reaction to the weak, slow, and inefficient oligarchic structures. During his parliamentary career, Ramírez personally witnessed the structural inability of the old aristocratic political system to solve the national problems and to prepare the country for the new challenges of the twentieth century. Being extremely conscious and proud of his middle-class background, he fought against the very restrictive nature of Chile's political class, which was still dominated by a traditional Basque-Castilian aristocracy in the 1910s. Against the dominating principles of social ancestry and wealth, he defended the principles of personal capacity, efforts, and merits. In this manner, his meritocratic *weltanschauung* was only reinforced by the social barriers built by the ruling oligarchy.

Initially in radicalism Ramírez found an evolutionistic and advanced doctrine which supported social change and human progress in general. Its anti-clerical attitude and anti-conservatism fitted in well with his own stance against social and religious prejudices and in favor of modernity. Nonetheless, he seems to have always been more convinced of radical*ism* (as a set of ideas and objectives) than of the Radical *party* as such, as he remained a solitary and independent man within its structures. The breakdown of the oligarchic order not only demonstrated the weakness of the conservative forces, it also showed the inability of the opposition parties to form a strong and stable alternative to rule the country. In the end, not only Ramírez but large sections of the Chilean population found themselves increasingly disenchanted with politics in general and politicians in particular. The lack of political order and stability in the country during the mid-1920s facilitated the rise to power of Ibáñez, and with him, of a group of young men with the will to effect profound changes in the administration of the state in order to break with a very disappointing past.

Ibáñez showed full confidence in Ramírez, who enthusiastically shared his objective of modernizing the country and eliminating political corruption. In accordance with this, Ibáñez allowed him far-reaching room to manoeuvre which he utilized fully for the building of a modern public administration and for the improvement of the national infrastructure. He was the prototype of a modern man in the 1920s, as he truly believed in the advantages of the newest technological and administrative methods, in industrialization and in the inevitability of what we today call "globalization." He possessed an internationalist and universalist vision of development as he was conscious of the opportunities but also the limitations of a peripheral economy like Chile's.

The presence in the country of a very well-prepared engineer corps, and their disposition to join Ramírez's efforts to modernize the country, proved to be a decisive factor in the formulation and application of the economic and administrative reforms made under the Ibáñez government. The presence of many engineers in the public administration not only allowed a better technical performance in the various services, it also strengthened the technocratic orientation of the state apparatus as a whole. Meritocracy, faith in scientific knowledge, and contempt for politics, brought these engineers and Ramírez together.

Ramírez was an idealist and a realist at the same time, as he clearly understood that in order to construct the utopia of a "New Chile", free of corruption and politicking, he would have to fight against powerful vested interests and strong political ambitions. The world depression, the conscious absence of a political organized base for the government, combined with a mounting opposition from conservative and radical forces, put an end to this early technocratic experiment on South American soil.

Notes

1. This essay is dedicated to the memory of Aníbal Pinto Santa Cruz.
2. I am grateful to the Netherlands Foundation for the Advancement of Tropical Research (WOTRO) for having made possible my archive research on Pablo Ramírez in Chile. That research was conducted in the period December 1994 to January 1995.
3. The fact that he later made a short political comeback in the years 1945–6, again as Minister of Finance during the presidency of Juan Antonio Ríos, does not change the situation.
4. Most of the rare works on Ibáñez were written directly after his fall in 1931. They were penned by both disillusioned former supporters and outspoken adversaries condemning his regime (e.g. Vergara Vicuña, 1931; A. Edwards, 1931; Melfi, 1931; Olivárez, 1937). Some years later clearly apologetic books appeared from the hand of *ibañistas* (cf. Montero, 1937). They are all characterized by their lack of objectivity and lack emotional distance in dealing with the subject. Some books on Ibáñez were published on the eve of his second administration (1952–8) (Varas, 1952) or at the end of his government (cf. Montero, 1952; Würth Rojas, 1958; Correa Prieto, 1962). Since the early 1960s almost no study of the Ibáñez government has been made in Chile. Among the few exceptions we find the study by Patricio Bernedo (1989) on Ibáñez's economic policy and the book by Jorge Rojas Flores (1993) on labor organizations during his first administration. As Rojas acknowledges in his introduction, this period has been almost completely abandoned by current Chilean historians (p. 10). Nunn's book (1970) is still the best source on this turbulent period in Chilean political history.
5. As Nunn correctly indicates, the 1912 parliamentary elections represented a major landmark in the ascendence to political power of the middle class. In

the wake of that election, "upper-middle-class provincial politicians had assumed positions of influence in Chile at the expense of the central valley oligarchs and their provincial allies" (Nunn, 1970: 12–13).

6. The following analysis of Ramírez' political thought is based mainly on two volumes (1921a, 1921b) which I found at the Biblioteca del Congreso at Santiago, containing a good collection of his parliamentary and political speeches of the period 1919–21. They seem be have been published by Ramírez' radical comrades to elevate his political figure in the new political era inaugurated with the 1920 presidential victory of Arturo Alessandri.
7. A couple of years later, in 1928, Alberto Edwards came to the same conclusion: "The influence of the working classes in the events of the past years has been fairly indirect. ... The real class struggle broke out between the petit bourgeoisie educated in the Liceos and the traditional society. ... The rebel middle class rejected domination by an oligarchy which they regarded as incapable, de-nationalized, devoid of morality and patriotism. The political aristocracy, for its part, did not pretend to hide its contempt for these newcomers, defeated in the struggles of economic and social life, who attempted to supplant it in the leadership of the country" (Edwards Vives, 1952: 234–5).
8. Alessandri would later insinuate that Ramírez' attacks against his person and government were motivated by the fact he was hurt because he had not been appointed as Minister of Finance in 1920 (Alessandri, 1967(II): 30–1).
9. Two months later President Figueroa resigned and Ibáñez became vice-president of the country until the presidential election of 22 May 1927. The most disparate social and political forces supported Ibáñez' candidature.
10. As Nunn pointed out, "the vast majority of Chileans were apolitical, but unemployment, nonpayment of the salaries to the employed, inefficiency, corruption in government and inflation made them ... aware of the failure of their political system" (1976: 133).
11. As Ibáñez commented: "In the government I have surrounded myself with people of good will, open to everything, carrying the ability to achieve victory in the accomplishment of their tasks in their own hands; they are capable young men, with a fresh mentality for the search of solutions" (*La Nación*, March 29, 1927: 3).
12. As the press repeatedly observed, he made almost no distinction between day and night in working at the Ministry. As well as this function, he was *ad interim* Minister of Education, Development, and Agriculture, using the opportunity to introduce profound reforms in these Ministries and new legislation in these fields (Hernández Parker, 1945: 9).
13. Even his adversaries recognized these qualities of the Ibáñez' regime. This was also the impression gained by many foreign observers. For instance, in a report from January 1928 to Prime Minister Chamberlain, the British ambassador to Chile characterized Ibáñez in the following way: "He is a man of few words, very reserved, and a keeper of his own counsels; he is poor ... his house is a model of Spartan simplicity. He is one of the very few men in public life in Chile against whom I have never heard a charge of corruption or venality. I believe that he himself is inspired merely with his desire to serve his country to the best of his ability and his lights..." (quoted in Blackmore, 1993: 78).

14. Ramírez refers here to a team of American financial experts led by Professor Edwin W. Kemmerer, who conducted a far-reaching reform of the country's monetary, banking, and fiscal system in the period 1925–7. One of the many results achieved by the mission was the creation of the National Comptroller (Contraloría General de la República) in 1927. Pablo Ramírez, already in charge of the Ministry of Finance, also took, explicitly *ad honorem*, charge of this institution during the first months of its existence. See, for the impact of the Kemmerer mission on Chile's financial and institutional reality, Drake (1989: 76–124). The possible influence of this mission on the technocratic orientation in people like Ramírez and other top state officials has not yet been studied.
    Like Sergio de Castro fifty years later, Ramírez also searched for external legitimation, an accolade from prestigious foreign scholars. So while De Castro invited Professor Milton Friedman from the University of Chicago to express public support for his neoliberal model in March 1975, Pablo Ramírez invited Professor Edwin W. Kemmerer from Princeton University who also openly endorsed his administrative reforms in July 1927. In a speech during a dinner in his honor at the La Moneda Palace, Kemmerer stated: "As I have not been in Chile for the past two years, I am in a good position to perceive the great change which the public administration has experienced. Undoubtedly a clear improvement in the quality of its services has been achieved. ... It seems that the public officials work with more commitment and are proud in their assignments, and that consciousness of good public service has been assimilated better than it was two years ago. ... It is a great pleasure to verify the increase in the number of men fulfilling these conditions in service of the Chilean state. For me this is the best augury for Chile's economic future." Santiago, July 29, 1927. Original text in Spanish. The Kemmerer collection, Seeley G. Mudd Manuscript Library, Princeton University, Box 38.
15. Archivo del Ministerio de Hacienda, letter nr. 208 of March 8, 1927. Biblioteca Nacional (Archivo del Siglo XX).
16. Ramírez' meritocratic orientation inhibited him from following too narrow a nationalistic policy in the recruitment of state personnel; he simply wanted the best. For instance, on several occasions he talked about the need to encourage the immigration of specialized foreign workers and engineers in order to develop the national industry (see *La Nación*, September 29, 1927: 16). Indeed, many foreign experts, particularly in the fields of accountancy, health, and education, were contracted during the Ibáñez administration. Ramírez wanted to have the best European advisers at his Ministry, no matter what they cost. Cablegrams such as the following were very common. In a note to the Chilean ambassador in Germany Ramírez wrote: "The government wants the technical organization of a Statistical Service and asks you to contract the best person you can find. Please make contact with Mr Wagemann, Chief of the German Statistical Service, and ask him to search for the appropriate person." Archivo del Ministerio de Hacienda, letter nr. 288 of March 23, 1927. Biblioteca Nacional (Archivo del Siglo XX).
17. The "absorption" of engineers by the state in the period 1927–31 can easily be verified in many of the CVs which appeared in the *Who's is Who: Guía Profesional de la Ingeniería en Chile*, published by the Instituto de Ingenieros de Chile in 1939.

18. Although Simón rarely vented his political views in public, like many other engineers he was clearly sympathetic to authoritarian rule as he saw it as a requisite condition to accelerate the decisionmaking process. In *Chile, A Magazine of Information and Service*, he once wrote: "The political changes which, by the middle of 1924, brought about the suspension of Congress and the temporary absorption of legislative power by the Executive, opened the way for the Government not to delay any longer the reform of our monetary system. [One has to] take advantage of the favorable circumstance that the sterile debates in Congress can be avoided – out of which debates in a period of thirty years a complete and final solution had not been found. ... A Government Junta of strong and honest men had rolled into the Executive and Legislative powers. Whatever project the Kemmerer Mission should choose to present, could be made a law without having to wait for a debate by parliament." Raoul Simon (sic), 'The Kemmerer Mission and the Chilean Central Bank Law', *Chile*, January 1926, pp. 13–16, 19. This Journal was published in New York by Simón and some close associates, where he lived for a while as representative of the Chilean railways. The Kemmerer Collection, Seeley G. Mudd Manuscript Library, Princeton University, Box 55.
19. Ibáñez' identification with Balmaceda was expressed, among other ways, in the appointment of his son, Enrique Balmaceda, as his Minister of the Interior. On 2 July 1927, when Ibáñez became president, Enrique Balmaceda draped over him the presidential sash used by his father, as he saw in him the incarnation of the principles of patriotism and republican austerity for which his father had fought (see Nunn, 1970: 129–133).
20. Ramírez himself followed the development at the international markets for natural and synthetic fertilizers very closely. In the Archivo del Siglo XX, are several copies of cablegrams sent by him to Chilean embassies in Europe and the United States, asking them to keep him personally informed of any single change noticed at the production, distribution, and marketing of synthetic nitrites.
21. See Bernedo, 1989: 101–4. According to Contreras Guzmán his foreign trip was related to the strong opposition met by Ramírez from those former functionaries harmed by his austerity programs in the public administration, who had instigated a sordid campaign against him. "An official foreign trip was planned in order to dissipate the bad atmosphere around him" (1942: 173).
22. Hoover, an engineer, had a special relation with Chile and the Instituto de Ingenieros de Chile. He had visited Chile in December 1928 as president elect. He was enthusiastically received by the Instituto de Ingenieros de Chile, who declared him a honorary member (see *Anales* 29(1): 1–5, January 1929). In 1927, when he still was Secretary of Commerce, the Chilean press had already lauded Hoover's technical capacity and apoliticism. "Hoover ... has became famous because of his aversion to politics, and simply because of this, he is one of the Republican candidates with the highest chance of succeeding President Coolidge" (*La Nación*, September 10, 1927).

5 The Material Bases of Technocracy: Investor Confidence and Neoliberalism in Latin America

Ben Ross Schneider

INTRODUCTION

Studies of elite bureaucrats routinely distinguish between politicians and technocrats who bring divergent orientations and resources to policymaking.[1] The best way to understand their differing preferences and behavior is to examine their career trajectories (see Schneider, 1991). From this career perspective, technocrats can be defined as top civilian officials in the state, with no electoral experience, who have university degrees in the hard and social sciences, including business administration and law. In policymaking, politicians base their decisions on calculations of re-election; technocrats on technical criteria. The implication of this distinction is that technocrats are willing to impose greater costs on large numbers of people and deny them representation in order to achieve their ends.[2] Hence, technocrats are usually associated with unpopular programs of orthodox stabilization and neoliberal adjustment as well as undemocratic methods for making decisions.

The political puzzle is that, despite appearances of power, technocrats have few independent sources of support. Politicians have voters, lobbyists have constituents, and military officers have troops. Technocrats have no base of support that would be comparable in numbers or resources (though many cultivate media, electoral, and business support *after* they have been appointed to high office). Why then did technocrats seem so dominant in Latin American politics in the 1990s? And, what were the political factors that allowed technocrats to act so inflexibly and autocratically even during transitions to democracy?

Arguments contrasting the styles and decision criteria of politicians and technocrats too often shade into arguments that technocrats and politicians fight each other to gain power. Appointments of technocrats are interpreted to be defeats for politicians and vice versa. Once in positions of power, technocrats obviously struggle with politicians (as well as with one another) for control over bureaucratic resources. However, the prior question is why did some political leaders appoint the technocrats in the first place? It is essential to remember that almost all technocrats in Latin America are appointed to positions of power and, save for a handful in places like Central Banks, can be fired in a matter of minutes. The absolute numbers of political appointees range across the continent from tens of thousands (around 50,000 in both Brazil and Mexico) to a few thousand in Chile. If a thousand or more positions at the top of the bureaucratic hierarchy are subject to political appointment, it makes sense to classify the executive as an "appointive bureaucracy" where almost all positions of power are filled by personal political appointment (Schneider, 1991).

What is the source of the power technocrats wield? The following sections review four main types of answer.[3] First, traditional theories of technocracy make functionalist arguments that modernizing societies "require" technically trained personnel in the state. Second, more pluralist theories conceive of technocrats as social groups or networks that deploy the same resources as other groups and networks in their struggles to gain power. These arguments are "endogenous" in that the motor force driving technocrats into power is the technocrats themselves. Third, others have argued that political leaders delegate power to technocrats in order to control changing sources of political uncertainty. Lastly, a related line of explanation claims that political leaders seek out technocrats in order to signal government commitment to economic reform and thereby restore investor confidence.

In any single instance of technocratic triumph, these four causal mechanisms – modernization, pluralism, delegation, and investor confidence – probably interact. However, only the last fully explains the near universal recourse to neoliberal technocrats in Latin America in the late 1980s and the early 1990s and their radical shift to autocratic and exclusionary decisionmaking. In one sense, these sets of arguments are presented in the order of ever more specific explanation. At the least specific end of the continuum, modernization arguments explain why more officials have advanced university degrees at the end of the century than at the beginning. At the most specific end, investor confidence arguments help specify why neoliberal technocrats, as opposed to other kinds of technocrats, came to power and why they did so in the 1980s and 1990s as opposed to some other time.[4]

MODERNIZATION, TECHNICAL COMPLEXITY, AND EXPERTISE

Early explanations for the rise of technocracy highlighted what was new about these "men of science" or *científicos*: their knowledge and expertise coupled with a non-political and technical approach to decisionmaking and problem solving. Many early studies, particularly in organizational behavior, attributed their rise to prominence to their technical skills. Fischer, drawing on Meynaud's (1964) classic study, defined technocracy as "a system of governance in which technically trained experts rule by virtue of their specialized knowledge and positions in dominant political and economic institutions" (1990: 17). The qualifier about positions in dominant institutions fudges the issue of the source of power, yet for most knowledge-based arguments the reason technocrats are in such positions is because they have expertise. Expertise also imparts confidence and self-assurance that gives technocrats an advantage in accumulating and wielding power.[5]

Many of the early functionalist theories ultimately depended on context; the motor propelling technocrats into positions of power lay outside the state in the process of increasing technical sophistication and socioeconomic complexity. Their expertise meant that technocrats were presumably the only ones who could manage certain government operations which were made more complex by modernization. Technological advance generally explains why passive, non-political technocrats get enlisted into public service. In the macro sweep of world history, societies cannot get through industrialization without recruiting a lot of technocrats into government service.

However, functionalist arguments have several well-known flaws. Most severe is the lack of specific political actors with predictable interests who would want to bring technocrats into power. In this agentless approach governments are merely obliged to cede power to officials with advanced training. Hence, there is no threshold of modernization at which technocrats necessarily rise nor a way to explain why countries at similar levels of modernization may have very different executive bureaucracies. Furthermore, in terms of "micro-foundations," the functionalist, modernization arguments cannot account for why technocrats would want power. It is a market model in which increasing societal demand for technocrats more or less automatically matches increased supply. Despite these flaws, modernization arguments have the virtue, shared by later political arguments, of clearly specifying the source of technocracy outside the state. Other endogenous arguments considered in the next section look within the technocracy for the sources of their power.

BY THEIR OWN BOOTSTRAPS

Other scholars identified technocrats as a rising social group that sought to expand its political power through more common political means. In essence technical university training becomes a potential basis for social identity and thus displaces others such as class, region, or ethnicity. This perspective is endogenous and pluralist in that it defines technocrats as a distinct social group which organizes on the basis of its common interests *vis-à-vis* other groups and then competes with them for power and privilege. Moreover, aspiring technocrats have advantages over other social groups in that they have specialized expertise and, at least for some influential scholars, have a propensity to resort to non-democratic methods to further their interests.

Guillermo O'Donnell did much to popularize the idea that technocrats were a separate social group rather than just a collection of trained policy makers with powerful positions. This social group was a strong component of the coalitions favoring bureaucratic authoritarian coups. O'Donnell hypothesized that, the extent to which frustration by incumbents of technocratic roles may be channeled into political action aimed at reshaping the social context is a multiplicative function of the degree of penetration (density and scope) of these roles in a modernizing situation (1973: 79).

He saw incumbents of technocratic roles and their frustration with messy democratic politics as key motivations for many supporters – in the military, the bureaucracy, and private business – of military coups which brought technocrats to nearly uncontested power in Brazil and Argentina in the 1960s. Thus, technocrats were not only politically powerful in government offices, but also a force to be reckoned with when outside the state and denied adequate representation in the political system.

Luiz Carlos Bresser Pereira (1981) went beyond more "pluralist" conceptions to characterize the "techno-bureaucracy" as the new ruling class. Using class analysis, Bresser Pereira argued that the techno-bureaucracy, in both the state and large private firms, lived off surplus value (and generated some of its own in state production). Moreover, much of the power of the techno-bureaucracy derived from its cohesiveness, shared ideology, and capacity for collective action. Although the early rise of the techno-bureaucracy is due to these causes identified in modernization approaches, Bresser Pereira's argument is mostly endogenous because he views the power of the techno-bureaucracy largely as a function of its exercise of class power.

Empirical studies of the Mexican bureaucracy often take a pluralist view of the rise of technocracy. In fact in Mexico there were two struggles: first between *técnicos* and *políticos* and then, among the *técnicos*, between monetarists and structuralists. Here, the arguments slide into a sort of bureaucratic pluralism in which contending groups within the state vie with one another for power in the restricted Mexican political arena.[6] Given the authoritarian and elitist character of Mexican politics, most studies of the rise of technocracy in Mexico view the outcome less as the result of competition among social groups and more as a function of elite networks. Moreover, endogenous explanations seem more appropriate since those appointing technocrats were themselves technocrats, at least since 1970. In the rest of Latin America elected presidents or military dictators have brought technocrats to power.

In contrast to O'Donnell's discussions of large numbers of frustrated technocrats, network analyses of Mexico and of other countries focus on small groups of like-minded *técnicos* who rise rapidly to powerful positions. Reciprocal obligations and personal ties within the network work to encourage each member of the network to get other members appointed to powerful positions.[7] In Mexico *camarillas* have been central to the analysis of technocratic networks and politics generally (see especially Smith 1979; Camp, 1990; Centeno, 1994). Over the last two decades, each triumphant camarilla was more technocratic than the last. One popular explanation is that these technocratic networks managed to conquer the state, for idiosyncratic and conjunctural reasons, and have since rewarded new generations of technocrats and excluded the rest. For Centeno, these triumphant technocratic networks were one of three key developments within the state that led to Salinastroika.[8] The triumph of, say, Salinas and his camarilla over Silva Herzog and his is thus attributable to the former's formidable political and bureaucratic skills. However, the social glue holding these camarillas together may have little to do with shared technical norms and worldviews. In Camp's revealing analysis of the strong, enduring family and childhood networks represented in the Salinas cabinet, it becomes hard to argue that his government is one of a programmatic team who came together in the years before 1988 in the course of seeking out like-minded allies (Camp 1990). Camp's analysis raises the question of whether this is really technocracy or just the same old power elite made over for the 1990s in technocratic guise.

Network arguments are also popular in analyses of the Chicago Boys in the Pinochet regime in Chile. The documentation is extensive on the academic exchange programs and other family and professional ties that created the network of Chicago Boys. Moreover, their first contacts with the Pinochet government seemed based largely on particular points of access and their preparation for regime change. The fact that they had the

non-institutionalized capacity to prepare a detailed economic program (known as the *ladrillo* or brick because of its heft) demonstrates a social cohesion rare among disparate experts. Beyond the common socialization of graduate work in Chicago and their collaboration on the *ladrillo*, Harberger argues that Sergio de Castro had a coach-like charisma that further infused the network with cohesion and purpose (1993: 345–6). The pure network explanation for the rise of the Chicago Boys is that they had the personal ties to some officers and they had greater coherence as a network than other contenders.[9]

In theoretical terms, endogenous arguments about technocratic groups and networks provide, in contrast to functionalist modernization theories, a causal logic of collective action and the pursuit of power. Like other groups and networks, technocrats seek representation and power. O'Donnell helped identify new lines of social cleavage and the network analysis provided a detailed appreciation of how technocrats articulate their power. However, arguments based on groups and networks focus too heavily on the attributes of technocrats themselves and on their struggles with each other and with contending political groups. What's missing is a greater appreciation of the overall political and economic context in which political and business elites wield great influence.

POLITICAL UNCERTAINTY AND DELEGATION

Another approach to technocracy focuses on the political leaders who delegate power to technocrats in response to exogenous pressures. In an appointive bureaucracy, the channels of control ultimately lead back to the president. So the key issue is to identify the political incentives that lead presidents, whether elected or not, and their inner circles to seek out technocrats and cede to them political prerogatives. Presidents use appointments to weave together support coalitions and to manage sources of uncertainty.[10] If, for example, governments face challenges from the left, presidents may bring moderate interlocutors into government, as Echeverría did in Mexico in the 1970s. If uncertainties revolve mostly around fiscal, currency, and inflationary crises, presidents may seek out economists who claim to be able to solve these problems.[11]

The analysis of political uncertainty offers an illuminating perspective on the demise of the PRI and *políticos* generally in Mexico in the 1970s and 1980s (which is an essential part of any complete explanation for the ascendancy of technocrats). Historically, the *políticos* in ministries like Gobernación managed the major uncertainties in internal order and

elections. Over time *políticos* were so successful in ensuring electoral victories that elections no longer held any uncertainty and top political leaders therefore had few reasons to grant them continued power. In the meantime, by the 1970s economic problems became more intractable and uncertain, and presidents sought out economists to deal with them. In this view, technocrats came to power less because they maneuvered to seize it and more because rival *políticos* committed slow, presumably unwitting suicide.

Insulation is another way in which politicians lose or cede power to technocrats. Bureaucratic insulation of developmental technocrats has been a popular explanation of successful industrial policy in Latin America and other developing countries. Insulation is usually explained with endogenous arguments that rely on Weberian characteristics of the bureaucracy (meritocratic recruitment and promotion). However, in politicized contexts characteristic of much of Latin America some powerful extra-bureaucratic force is necessary to sustain "institutional" insulation (see Schneider, 1991). Politically enforced insulation of critical agencies like oil companies or development banks reduces key sources of political uncertainty for some powerful groups. In Brazil, for example, the military worried constantly over fuel and worked to exclude politicians from the state oil monopoly Petrobrás (Carvalho, 1977). Contrary to some popular conceptions, the insulation of technocrats in particular agencies reflects less the elimination of politics than the (temporary) victory of one political group over others.

Politicians can also delegate power to small groups of technocrats in order to solve their own problems with collective action or the so-called "politicians' dilemma" (Bates and Krueger, 1993; Geddes, 1994). For example, the cost of a small increment in the budget is low and dispersed while the benefit for an individual politician could be large. In fiscal terms these individually rational calculations can be collectively disastrous for the country as well as the governing party as a whole. The country would be better off, and in consequence so would the governing coalition, with manageable budget deficits, but individual legislators have strong incentives to press for maximum spending for their constituents, regardless of consequences for the overall deficit. Given this potential for collective irrationality, it sometimes makes sense for politicians to tie themselves to the mast by delegating control over the budget to technocrats and thereby insure they cannot respond to the Sirens of pork. When politicians delegate power in this way they of course have incentives to try to appear, along with the rest of the population, as victims of a technocratic takeover.

Neoliberal reforms entail combinations of political costs and societal benefits that sometimes approximate "politicians' dilemmas;" the short

term costs are high and concentrated while the benefits are long term and diffuse. Empirical research on neoliberal economic reform in developing countries regularly finds that presidents delegate responsibility to particular agencies staffed by technocrats. In their overview of eight country studies, Haggard and Webb conclude that "in every successful reform effort, politicians delegated decisionmaking authority to units within the government that were insulated from routine bureaucratic processes, from legislative and interest group pressures, and even from executive pressure" (1994b: 13; see also Williamson, 1994a). In his four country study, Waterbury uses the term "change teams" to describe neoliberal reformers to whom presidents have delegated responsibility for reform. He emphasizes that they can do little without presidential backing, though they can sometimes take reform further than the leaders who delegated power to them wanted (1993: 27–28). These and other studies of delegation note the correlation between neoliberal reform and the delegation of policy authority to technocrats; however they do not explain fully when and why presidents delegate.

When uncertainty and delegation arguments are most convincing it is because they acknowledge that technocrats have little power without presidents and other powerful political and state actors. Yet, they are incomplete because they cannot ex ante identify the likely sources of uncertainty or specify when exactly politicians will decide it is in their interest to delegate power. To complete these arguments, the analysis must incorporate material, economic factors. In Latin America, the major material changes were the fiscal and investment crises of the 1980s.[12]

INVESTOR CONFIDENCE

The first years of the 1990s marked the high water mark of neoliberal technocracy in Latin America. The puzzle is to explain why, in such a brief interval, neoliberal technocrats came to power in governments elected on very different platforms. None of the theories discussed so far is much help in explaining why it was that neoliberal technocrats rather than structuralist or developmentalist technocrats triumphed in the 1980s and 1990s in Latin America. Why were the political fortunes of the neoliberal cohort so much better than those of the rest? [13] The issue is no longer whether to have a technocracy; all of the larger countries of Latin America have bureaucracies staffed by large numbers of people with advanced training. The question now, for explaining development strategies, is which technocracy. The technocrats espousing neoliberalism came from

such widely varied backgrounds that any argument based on socialization and networks would have to be too encompassing to explain much. For example, top policymakers in the Collor government lacked neoliberal reputations and credentials. In Chile Alejandro Foxley, chief economic minister in the Aylwin government (1990–4), continued neoliberal policies, though his past trajectory would have led to predictions of a different development strategy. Lastly Fujimori and Menem were elected on less liberal platforms than their rivals but then veered extremely neoliberal once elected (see Stokes, 1993). Why were such disparate political and state actors all attracted to the same neoliberal discourse and strategy?

Full answers to these questions can only be found outside the state. My general argument is that the triumph of neoliberal technocracy and discourse (sometimes even without fully socialized neoliberal technocrats) is associated with political efforts to signal government intentions to restore fiscal balance (in the case of stabilization programs) and regain investor confidence (in the case of structural reforms such as trade liberalization and privatization).[14] The rest of this section uses the lens of investor confidence to analyze changes in policy and personnel in Mexico, Brazil, and Argentina. The goal is not to resolve debates in the vast literature on the causes of the rise of neoliberalism nor to explain all cases of neoliberal triumph. The goal is more modest: to argue that in many cases neglecting material factors such as investment crises will seriously weaken our understanding of the sources of technocracy.

One key issue in the rise of neoliberal technocracy is timing. Why did neoliberal technocrats triumph in one country years before they did in another? A comparison of Brazil and Mexico helps illuminate the material bases for differences in timing. In the 1980s the greater severity of the investment crisis in Mexico than in Brazil explains the adoption in Mexico of more radical, rapid, and encompassing neoliberal reform. In Mexico total investment dropped faster and recovered less than in Brazil, due largely to a steady decline in public investment.[15] Over the period 1981–84 total investment dropped 33 percent in Mexico and 29 percent in Brazil. It then recovered 35 percent in Brazil (1984–7) but only two percent in Mexico, due in large measure to the fact that public investment (1981–7) dropped by more than half in Mexico compared with about a fifth in Brazil. Worse, competing claims on investment resources in the form of external debt service, public deficit, and capital flight were all at least twice as high in Mexico as in Brazil. Over the period 1982–7, external debt service averaged 9 percent of GDP in Mexico and 4 percent in Brazil while the average public deficit averaged respectively 13 and 5 percent. Most importantly, cumulative capital flight from Mexico over

the decade 1978–88 totaled 28 percent of Mexico's 1986 GDP versus only 8 percent of Brazil's. In sum, Mexican officials had a much more severe problem with investor confidence and adopted more radical measures to restore it.

Miguel Centeno counters that the dominance of neoliberal technocrats in Mexico cannot be reduced to the pressures of investor confidence (1994: 191–2). It was convergence and coincidence: technocrats rose to positions of power and held the same views as major investors and international financial institutions. The key for Centeno is that the technocrats believed in what they were doing, so that it is impossible to assign relative weights to exogenous and endogenous causes. Centeno notes the vast structural power of capital over the Mexican state, but is ultimately not convinced of its impact: "the government [was] structurally conditioned to respond to the perceived needs of one set of political and economic actors." Yet, "the government never completely surrendered its autonomy to domestic capital and was willing to use its still considerable power to take on the private sector. If the government appeared to be saving the Mexican bourgeoisie from itself, it was nevertheless doing so independently" (1994: 70–1). What is lacking is a clear distinction between structural and instrumental autonomy; the Mexican technocracy did enjoy instrumental autonomy but not structural independence.[16]

The data, as yet, do not allow for a definitive answer in the Mexican case, but several types of evidence favor, I would argue, the investor confidence interpretation over endogenous contenders. For one, the timing of changes in policy and personnel in 1985–6 coincides more with economic crisis and further erosion of investor confidence than with tectonic shifts within the bureaucracy. The resignation of Finance Minister Jesús Silva Herzog in 1986 coincides with a dramatic acceleration of neoliberal reform in Mexico. Silva Herzog was not an ardent structuralist, yet he was less a neoliberal than his main rival Salinas and his camarilla. Most analysts have a pluralist or network view of Salinas' victory in which Salinas proved himself to be the better bureaucratic infighter (see Centeno, 1994: 161–3). There are even stories that Salinas was so clever that he tricked Silva Herzog into getting himself fired. However, investor confidence (and government revenue) continued to slide into 1986, and the government after Silva Herzog's departure took a more radical turn on neoliberal reform.[17]

When top officials in the economic bureaucracy have as much discretion as they do in Mexico and when much of the decisionmaking process is opaque, then investors naturally take personnel decisions as key indicators of government intentions. In an investor-confidence interpretation of

Silva Herzog's resignation, de la Madrid opted for a more radical program and accepted his resignation in part to make the program more credible.[18] For example, José Córdoba, Salinas's main economic advisor, admitted the importance of using appointments to signal government intentions to business. He argued that a major lesson from Mexico's reform project was the need for homogeneity in the economic bureaucracy in order to reduce uncertainty and bolster investor confidence (1991: 48). William Rhodes, a chief negotiator for Citibank, echoed Córdoba when he concluded that one of six essential elements of successful reform in Latin America was a "competent economic team that works together, not in rivalry" (1993: 22). No doubt some of this analysis informs Rhodes' assessment, as an investor, of government credibility. In a more recent instance in 1994, the stock market dropped dramatically when president elect Zedillo passed over Pedro Aspe to appoint Jaime Serra Puche as Secretary of Hacienda. Presumably presidents know the value of personnel decisions as signals and incorporate it into their calculations.

In policy choices and implementation in the 1980s, neoliberal technocrats in Mexico were willing to deviate from ideological doctrine (especially compared to their counterparts in Chile in the 1970s) in order to restore investor confidence. For example, privatization in the de la Madrid government had minimal impact on fiscal balance and state production, but it did bolster investor confidence (and impress the World Bank) (see Schneider, 1990; Alduncin, 1989). Concertation is hardly a common instrument in a neoliberal toolkit. Yet, neoliberals in the de la Madrid and Salinas governments pursued it forcefully as a strategy to stem capital flight and decelerate inflation.

The causal logic of an investor-confidence argument is often easier to see in other countries of Latin America where elected presidents clearly delegated power to neoliberal technocrats. In Brazil, Argentina, Venezuela, and elsewhere it is harder to sustain arguments on convergence and coincidence. In Argentina Menem's rapid appointment of a neoliberal and very pro-business cabinet provides the clearest case of using personnel to signal commitments to investors. When Menem won the elections in May 1989, his economic program was undefined. His campaign promises had been vague and other indicators were contradictory. In the economic chaos that followed the election in May, Menem moved rapidly to nominate key ministers. The surprise appointment of Miguel Roig, a manager at the conglomerate Bunge & Born, as Minister of Economy sent an unequivocal signal that the economic policies of the new Menem government were likely to please large, internationally oriented firms. Menem bolstered Roig's appointment by inviting others from the most neoliberal

party (Union of the Democratic Center), like Alvaro Alsogaray and his daughter, to key positions in the economic bureaucracy. Domingo Cavallo was the apparent candidate of the G–8 group of peak business associations for the finance ministry. Menem instead appointed him foreign minister and Cavallo immediately flew to the United States to begin negotiations with creditors. By late June, one of Menem's top economic advisors was already predicting a great "surge [*oleada*] of investment" in the first hundred days of the new government (O. Martínez, 1991: 39).

These appointments were especially valuable to someone like Menem who had no stock of credibility as a neoliberal to draw on. By explicitly delegating power to a manager at a large conglomerate and political opponents, none of whom was politically indebted to or dependent on Menem, Menem vastly enhanced the reformist credibility of his economic team.[19] When Roig died shortly after Menem took office, Menem "took pains to publicize his consultations with Jorge Born, the head of the Bunge & Born group, in the search for a successor" (C. Acuña, 1994: 38). Roig's successor Néstor Rapanelli, another executive from Bunge & Born, did not last long (though the Alsogarays did) and his successors were either politicians (Erman González, a Christian Democrat and former finance minister in the state of Rioja when Menem was governor) or more independent neoliberal economists (Domingo Cavallo). However, the early appointments had clearly identified Menem as an atypical Peronist, set the course of radical neoliberal reform, and given the government an initial stock of credibility with national and international investors.

In Brazil endogenous explanations for conquest by a neoliberal technocracy are difficult to sustain. Neoliberal reforms were enacted in the 1990s by pragmatists and social democrats rather than ideologically engaged technocrats. Collor is rightly remembered as the president who made liberalism palatable again in Brazilian politics. In contrast to Menem, Collor did have an initial stock of credibility as a neoliberal and had less need to use personnel selections to signal his commitment to neoliberal reform.[20] Few top appointees in economic ministries had reputations as neoliberals. Zélia Cardoso de Melo, Collor's first minister of the economy, had no particular intellectual or ideological heritage. Her main advisor Antônio Kandir had vóted for Lula and later joined the social democrats (PSDB). Ozires Silva, minister of infrastructure, was a retired air force officer who had made his career, like so many other nationalist, developmentalist officers, in state enterprises (he founded and managed Embraer). As Ozires explained it, by the 1980s it became impossible to manage state enterprises because the central government used them to manage prices and fiscal flows, so he became an advocate of neoliberal policies like privatization and deregulation (see Schneider, 1992).

In Brazil, when neoliberal reforms were tied to signaling the private sector it was mostly on the stabilization front. The fiscal crisis and consequent inflationary pressures were the predominant issues of the 1980s and 1990s and more than a low-intensity investment crisis helped make a political virtue of neoliberal signaling. From the Collor Plan of 1990 through the Real Plan of 1994–5, government officials regularly linked structural reforms to short term measures to reduce inflation. Government commitments to privatization consistently emphasized the fiscal benefits and decisions on tariff reductions were often publicly tied to efforts to encourage price moderation.[21]

Why is neoliberalism so popular among capitalists? Why is neoliberalism such an effective signal compared to, say, Asian style managed trade? A full answer is beyond this paper, but some reasons merit mention. Neoliberalism is a simple discourse to deliver: it is logical, coherent, and easy to summarize. Neoliberal discourse provides a ready yardstick by which to gauge policy proposals; the less state the better. Neoliberal doctrines are also unequivocal in their commitment to property rights. In diagnosis, neoliberalism offers a full critique of previous models of import substituting industrialization (ISI) and developmental states; in prescription it offers a full, concrete set of policy remedies. Asian developmentalism would sound very much like previous ISI strategies and raise concerns that the old strategies were being revived. In addition, economic elites in several Latin America countries had invested in institutes and associations that had the explicit goal of introducing more sophisticated neoliberal discourse into business debates (see Diniz and Boschi, 1993). So, business was better prepared to receive a neoliberal signal and interpret it as state actors intended.

International financial institutions (IFIs), especially the World Bank and the IMF, are also important constituencies for governments trying to send signals by appointing neoliberal technocrats. Governments scrambled to find appointees who were well networked with IMF and World Bank managers in order to enhance their bargaining position.[22] Moreover, IFI conditionality strengthened neoliberal factions in the economy bureaucracy. However, indirect signaling may have strengthened these factions more as political leaders realized they could calm international investors, and by extension national investors, by delegating policy to neoliberal technocrats. The weight of signaling to IFIs in personnel selection varies with the dependence of the debtor country. When, as in most larger countries, governments rely mostly on domestic capitalists for investment and government revenue, then the impact of IFIs is indirect in that it affects the perception of the investment climate for domestic investors. When, as in the smaller countries of Latin America, World Bank and IMF funding is critical

in closing fiscal and balance of payments deficits, presidents have stronger incentives to seek out neoliberal technocrats with strong ties to Washington.[23] The increasing dependence of many countries on international portfolio investment has further shifted the locus of relevant investors north from Washington to Wall Street, even in the larger countries.

In sum, explanations for the rise of neoliberal technocrats in Latin America in the 1990s are incomplete without reference to the severe investment crises that plagued the region. This argument does not mean, however, that investment crises automatically generate neoliberal technocracies nor that neoliberal technocrats automatically restore investor confidence. Political leaders do not necessarily react immediately and mechanically to investment and fiscal crises; some may even think that some alternative strategy is feasible. Mexican president José López Portillo and Peruvian president Alan García both thought they could thwart capital flight by nationalizing the banking system. Their successors, not automatically but understandably, pursued policies much more congenial to investors. Neoliberalism and technocracy are not alone sufficient to maintain investor confidence, as Ernesto Zedillo can attest. If the "fundamentals" are wrong, then no amount of technocracy and neoliberal discourse will bring investment back.

CONCLUSIONS AND IMPLICATIONS

The general form of my argument is that changes in the characteristics of the people who run economic policy cannot be fully understood without examining the reception these changes receive among core investor groups, both national and international. Endogenous explanations for technocracy based on knowledge, socialization, or bureaucratic pluralism are insufficient without reference to political delegation, uncertainty, and investor confidence. The specific hypothesis derived from this approach to understand Latin America since the mid 1980s is that presidents appointed technocrats with neoliberal discourses in order to restore the investment climate. The broadest implication of this argument is that, to the extent technocrats lack independent, enduring sources of power, the term technocracy itself is a misnomer. These arguments also have more specific implications for the analysis of democracy and development in Latin America. The most important implication is that appearances of institutionalized triumph by neoliberal technocrats may be misleading. It was not so long ago that neoliberals despaired of ever dislodging developmentalist institutions and technocrats from the state, yet they proved

remarkably easy to remove. Moreover, most bureaucracies are still appointive; even in the highly technocratic Banco de México officials work on fixed term contracts.

If context is key, a number of scenarios might make neoliberal technocrats less attractive to political appointers. If the economic context changes, especially if government finances and total investment improve dramatically, neoliberal technocrats could be replaced with other kinds of technocrats or even politicians. In the pattern of political suicide undertaken by Mexican *políticos*, neoliberal technocrats might succeed so well in restoring investor confidence as to make themselves dispensable. If, for example, the political economies of Latin America stabilize and grow over the medium term, then presidents might, as political leaders do elsewhere, use appointments to diversify and specialize to please more particular constituencies. Here then we might expect people with reputations as hard nosed orthodox economists to be appointed regularly to positions in monetary policy, for example, while other ministries were left to political appointees. Or, neoliberalism might cease to bolster investor confidence. The peso crisis in Mexico in 1995 and its negative "tequila effect" on portfolio investment in South America led some business leaders to call for pragmatic, anti-liberal measures like bail outs, industrial policies, protection, and capital controls. In these circumstances, the appointment of pragmatists rather than ideologues can have a more soothing effect on investor anxiety.

In other plausible scenarios, neoliberalism has a long life, though again the source of longevity is external to the technocracy. One plausible scenario is the continuation of the status quo; the "animal spirits" of investors remain depressed and political leaders opt for the known default of neoliberal technocracy. Or, voters come to endorse presidents like Fujimori and Menem who adopt neoliberal policies and appoint neoliberal technocrats. Lastly, some neoliberal technocrats, once in office for several years, gained popularity in the media and in opinion polls. Pedro Aspe, Domingo Cavallo, and Hernán Büchi all gained widespread support that helped put them in the ranks of contenders for the presidency.

The implications of investor-driven neoliberal technocracy for democracy are ambivalent. On the negative side, majorities and legislative representation generally lose to the extent that neoliberal technocrats reform by decree. Neoliberals further advocate that remaining areas of state intervention into the economy should be permanently and institutionally taken out of the hands of venal bureaucrats and weak politicians. So, for example, central banks should have institutional autonomy. Neoliberal reformers seek to restrict political intervention in the economy and in so

doing circumscribe the scope of democratic control of the society. The silver lining in this restricted scope is in the short term contribution it can make to removing threats to new democracies. The capitalist opponents of democracy, which were usually core allies in earlier coup coalitions, are not likely to mobilize against governments that demonstrate sensitivity to investment crises (even if they cannot reverse them). To the extent that capital mobility has forced policies and intra-state power shifts in ways that structurally favor investors with mobile capital, democracy is made safe for capitalism, and therefore the bourgeoisie poses less of a threat to democracy.

This news is not all good for democrats. What is good for reducing threats from big business to democracy is rarely good, especially in the short run, for reducing inequality. The attentiveness of state actors to mobile capital places severe restrictions on their ability to redistribute resources and provide fully for social welfare. Yet, the extreme levels of inequality found in most countries of Latin America effectively disenfranchise large numbers of would-be citizens (see O'Donnell, 1993; Haggard and Kaufman, 1995). In sum, neoliberalism shifts the task of democratic consolidation from appeasing the rich to incorporating the poor but at the same time limits the ability of political leaders to do so.

Notes

1. I am grateful to the editors for very extensive commentary on earlier drafts and to Christa van Wijnbergen for research assistance.
2. See Fischer (1990) for a recent summary.
3. See Centeno (1993) for a complete review of the literature.
4. Note: neoliberal policies include the full gamut of market oriented reforms. The most significant of these reforms are trade liberalization, privatization, and deregulation.
5. Centeno puts it nicely in his analysis of Mexican technocrats: "leading elites in almost all cases of successful revolutions from above share a revolutionary fervor and what at times can appear to be a megalomaniacal assurance in their own abilities. In the end it is this confidence that allows them to wield the concentrated power of their autonomous agencies even in the face of horrifying social costs and daunting opposition" (1994: 37).
6. The volume of empirical work on Mexican technocracy exceeds by far that on any other country in Latin America and perhaps in the developing world. Yet, this work devoted little attention to the causes of Mexican technocracy (until Centeno 1994, discussed later). Cochrane, in an early study of Mexican technocracy, offered a hybrid argument that combined modernization and pluralism: the new *científicos* exercised influence first by virtue of the constituencies they represented and second by the knowledge or information they had (1967: 70). Camp (1971, 1972, 1983) and Smith (1979) provided exhaustive examinations of bureaucratic careers in Mexico. However, they were decidedly less interested in explaining the rise of technocracy than in documenting its ascension and considering the consequences.

7. These networks are often international both in formation at graduate school and in subsequent ties to international financial institutions (IFIs), both public and private, in the United States (see Centeno 1994: 24–5). In the most recent period the rise of neoliberal networks is linked to the debt crisis and the leverage gained through these networks by IFIs in the United States over government policy in Latin America.
8. Centeno's argument is nuanced and inclusive but largely endogenous in the sense used here. International and social factors, especially embeddedness in ties to business, are relevant but the primary set of factors explaining neoliberalism in Mexico are: 1) "the centralization of power within a group of state institutions espousing a technical-analytic model" (the outcome of a pluralistic struggle among institutions within the state); 2) "the domination of the state by a cohesive elite with specialized training" (the network); and 3) "the hegemony of a single, exclusive policy paradigm" (1994: 39–40). Centeno thus combines strands of three types of endogenous arguments: knowledge-as-power, pluralist struggle among groups within the state (in Centeno's case government agencies), and networks.
9. Eduardo Silva (1993, 1996) argues that the Chicago Boys and various networks thereof were also closely linked to the largest conglomerates, at least through 1983. See Arriagada and Graham (1994) and Patricio Silva (1991) for analyses of the cohesive CIEPLAN network that came to power in the Aylwin government in 1990.
10. See Schneider (1991) for a general discussion of appointment politics.
11. Conaghan (1992) stresses presidential discretion in bringing technocrats to power in the central Andes. Markoff and Montecinos (1993) stress the legitimating and ceremonial function of economists in government.
12. Under socialism, where the state controls investment capital, the material bases of technocratic delegation would be less important. If states do not respond to independent controllers of capital, then bureaucratic, pluralist, and uncertainty arguments are sufficient to explain the power of technocracy. Without a structural dependence on capitalist investment, much more depends on the whims and perceptions of the president. This is also the case, though to a lesser degree, when the state controls a major source of revenue, as in OPEC member states.
13. In one concrete counter example, the "barbudinhos" (small bearded ones) who dominated in policymaking in Brazilian informatics in the late 1970s and early 1980s were highly trained in cutting edge computer technology and pushed for protection, state subsidy, and a range of other anti-liberal policies (see Adler, 1987; Evans, 1995).
14. Unless otherwise specified, the term investors refers to private asset holders both inside and outside the country. A more fine grained analysis could be done to assess how specific policies and appointments might be designed primarily to signal either national or international investors, or financial versus productive investors.
15. See Schneider (forthcoming) for full documentation on the differing investment crises and policy responses. The key sources are: IDB (1992) on

external debt service, public sector deficits; on investment for Brazil, Dinsmoor (1990: 62); for Mexico, Pfeffermann and Madarassy (1992: 14).

16. Given the way reforming technocrats created masses of new wealth, it is surprising there are so few instrumental arguments for the rise of technocracy. Perhaps Eduardo Silva (1996) comes closest to an instrumental position in his analysis of the linkages in the 1970s between Chicago Boys and huge conglomerates in Chile, yet he never argues that these conglomerates actually controlled the Pinochet government. Moreover, these same conglomerates were destroyed by the economic crisis in the 1980s. Conaghan notes that business supported the appointment of neoliberals in the Andean countries but later came to complain about their lack of access (1992).
17. See Heredia (1996) for the complete history of this period of reform and of the conflicts between Salinas and Silva Herzog. She argues that Salinas was less stringent in terms of fiscal contraction and more accommodating *vis-á-vis* international creditors. Both stances are of course palatable to domestic investors, especially given their anxieties over the resolution of the debt crisis.
18. See Rodrik (1989a, 1989b, 1991) on credibility generally and the importance of exaggeration in economic reforms.
19. See Gibson (1996). Some of these appointees do not fit the pure mold of a technocrat. The Alsogaray's were politicians and Roig and others came directly from top positions in private firms. Unlike technocrats, these appointees had independent constituencies. However, the expectation of the business appointees, an expectation shared by technocrats, was that they would be less likely to use their power to further their electoral careers.
20. Appointments in Brazil are, as in Argentina, far more important signals when the preferences of the president are vague or disquieting. The preferences of Collor's successor Itamar Franco were largely unknown and presumed to be vaguely populist. In this context, a meeting between Itamar Franco and a known populist economist, Dercio Munhoz, was, according to some accounts, responsible for the flight of a billion dollars in the course of about a week.
21. See Schneider (1992) and Pinheiro and Schneider (1995) on using privatization as a political signal). Neoliberal reform and reversal in Venezuela in the 1990s demonstrate the investor confidence argument from the opposite side: where there is no generalized investment crisis, neoliberal reform and neoliberal technocracy are more difficult to sustain. By the late 1980s, the economic crisis (growth, investment, and inflation) was not nearly as severe in Venezuela as it was in Brazil, Mexico, and Argentina. Yet, President Pérez adopted one of the most radical programs of neoliberal reform in Latin America. The popular opposition was great, but so too was opposition from business (see Naím, 1993). Following Frieden (1991), in the absence of a severe investment crisis, business is likely to pursue its sectoral interests which are usually adversely affected by neoliberal reform. Frieden argues that high class conflict in Argentina and Chile in the 1970s led capitalists to abandon their sectoral interests and support governments that could guarantee their property rights if not their particular businesses. The effect can be similar though less strong in investment crises provoked by causes other than class conflict.

22. See Markoff and Montecinos (1993). Basáñez argues that the debt crisis in Mexico tipped the balance between structuralists and monetarists in the favor of the latter (1990: 15). See Heredia (1996) for an insightful analysis of the role of IFIs in intrabureaucratic struggles in Mexico.
23. See Conaghan (1992) on the smaller Andean countries. See Stokes (1995) for the story of Fujimori's meeting with the heads of the IMF and World Bank shortly after his election and his rapid conversion to much more radical program of neoliberal reform than he had promised in his campaign.

6 The World Bank and the Transformation of Latin American Society

Pitou van Dijck

INTRODUCTION

This study investigates the ways in which structural adjustment programs designed and executed by national governments in close co-operation with the World Bank have supported a technocratic approach to policymaking in Latin America and strengthened the positions of technocrats in governments. It also asks what types of analytical, technical and executive expertise are required to design and pursue, in an effective and efficient manner, the "next generation" of structural adjustment policies.

Multilateral organizations such as the World Bank, the International Monetary Fund (IMF) and the Inter-American Development Bank (IDB) have been involved in the development process of Latin America for several decades. Their contribution to the socio-economic and ideological transformation of most countries in Latin America has increased significantly since the outbreak of the debt crisis and the collapse of the domestic and international credibility of most governments in the region. More specifically, these institutions have played a crucial role in introducing more open and market-orientated economic policies and a supportive neoliberal ideological context that replaced more inward-orientated and government-controlled development policies and the theories and ideologies that supported them.

The new type of policies pursued by most governments in Latin America is frequently referred to as the Washington agenda or Washington consensus, which suggests somewhat that the overall approach has been designed by the three multilateral institutions referred to above in concert with the U.S. government. It requires an insider's view to assess accurately the influence these external agents have had on policymaking in Latin America and to separate the influence of foreign creditors from initiatives taken by domestic policymakers. Consequently, strong

general statements with sufficient precision pertaining to the influence of such institutions on the shaping of domestic policy are hard to make. For sure, the Washington consensus reflects the strong influence that mainstream economic theory exerts on the design and execution of economic policies in the area (Iglesias, 1992: 52).

The World Bank in particular has been involved in the transformation process in three interrelated ways: by amplifying a new cognitive framework, by contributing more directly to the design and implementation of the new socio-economic agenda in the context of sectoral and structural adjustment programs, and by making available financial means that are conditioned upon the progress of such adjustment programs.

Policy dialogues between domestic government officials, academic economists and representatives of the World Bank have contributed to the understanding of policy failures and the need to adjust and restructure. Edwards refers to a series of 227 economic reports by the Latin America and Caribbean (LAC) Vice Presidency of the World Bank in the period 1987–92 that were discussed at formal and informal levels and affected decision-making in the region (S. Edwards, 1993: 3–13). Also, the Economic Development Institute (EDI) of the World Bank, that was established in 1955, has trained officials and has disseminated information that contributes to the understanding of the Bank's approach to economic problems in the region.

There are significant differences in conditionalities of multilateral loan programs and in the leverage multilateral institutions have over governments (Killick, 1984; World Bank, 1990a; Mosley *et al.*, 1991). The weak position of Latin American countries in the international capital markets in the 1980s and their strong need of foreign capital strengthened the negotiation power of these agencies. Also, the failure of traditional policies and experiments with heterodox shock therapies in several countries such as Brazil, Argentina and Peru strengthened the position of those in favor of a neoclassical and so-called orthodox approach to policy design. The conditionality attached to multilateral loan programs has in all probability contributed to the leverage neoliberal technocrats have in policy design and execution. Framework agreements between most governments in Latin America and the U.S. government to qualify for preferential trade agreements support and "lock in" the reform programs and amplify the impact of the Washington agenda on domestic policy.

Technical expertise and management capabilities are not only becoming ever more important factors of production in modern industry, but are also crucial to control and steer in an effective and efficient manner the overall economy. That holds true of all developed and newly industrializing

economies, not Latin America in particular. The types of expertise required to consolidate structural adjustment differ in many respects from the kind of capabilities that play a key role in the initial stage of structural reform and are probably much more complex (Moisés Naím, 1995: 31–3).

To address the main question of this study, the concept of technocrats needs to be clarified. There are different approaches of the concept of technocracy in the literature but they share the emphasis on the predominant influence of technical experts – scientists, engineers and economists – and expertise in governing society. According to Self, the term technocracy indicates "a way of thinking which in its simplest form attaches exaggerated importance to one or more technical factors that are relevant (or thought to be relevant) to some decision" (Self, 1975: 3). He states that technocracy – conceived in this way – is very different from the approach of economic science that investigates costs and benefits of specific types of allocations and analyses choices in terms of opportunity costs. Self introduces the concept of econocracy, referring to an approach to decisionmaking in which fundamental economic tests or yardsticks are decisive. "Thus stated, econocracy is much more ambitious, and consequently more dangerous to the public, than any kind of technocracy" (Self, 1975: 5). In the econocratic approach, economic science is not considered primarily instrumental – providing tools and methods of analysis and models to investigate relations among economic phenomena – but a science that determines the content of welfare and the objectives of economic behavior and policy.

Interestingly, Williamson – who introduced the term Washington agenda – refers to a definition of technocracy in *The Concise Oxford Dictionary* according to which technocracy is the organization and management of a country's industrial resources by technical experts for the good of the whole community (Williamson, 1993: 1). In the same paper he describes a technocrat as "an economist who uses his professional/technical skills in government with a view to creating and managing an economic system that will further the general good" (Williamson, 1993: 2). Put differently, in Williamson's concept a technocrat is assumed to behave in accordance with the postulates of neo–classical theory pertaining to government behavior, that is, the furthering of the welfare of society at large. Additionally, technopols are distinguished in Feinberg's definition as those technocrats who have taken the risk of accepting political appointments, with the responsibility that entails.

In subsequent sections of this chapter, the concept of technocracy will refer to a form of government in which technical experts – not exclusively economists – play a decisive role in government and in steering the economy. These experts may assume the roles of politicians, being in charge and governing directly and openly, but they may also be in influential positions in the civil service or government institutions, and consequently operate less openly and directly. The implication is not necessarily that technical or economic dimensions overrule all other aspects of governance, although this may be likely. The assumption of an exclusive orientation towards the common good is probably too strong and narrowing, although the furthering of national objectives in terms of overall economic growth and industrial and technical development, are in all probability high on the policy agenda of technocrats. In addition, in this chapter economic science as such is assumed to play an instrumental role as envisaged in neoclassical economic theory.

The chapter begins with a theoretical review of the neo–classical principles of optimal government intervention in markets. These principles underlie the neoliberal approach of policy design as supported by multilateral agencies such as the World Bank and by an increasing number of national governments in Latin America. My attention will be particularly focused on conditions for optimal types of government interventions. After that, I deal more specifically with the view of the World Bank on optimal policy in the context of structural adjustment programs in Latin America and in other regions. There I stress the World Bank's view of the contribution of technocratic elites and government institutions to development. The following section deals with the World Bank's experience with structural adjustment in Latin America in the 1980s and early 1990s and brings together evidence of successes and failures. After that follows an analysis of the types of expertise and capabilities that are required to enhance the effectiveness and efficiency of second-stage reform policies, and particularly programs which are environmentally more sustainable and socially more acceptable. I will also briefly deal with the relationship between the capacity to execute a structural adjustment program successfully and types of political regimes.

GOVERNMENT AND THE MARKET

Structuralist and *dependencia* theory as well as Marxist and neo-Marxist analyses of the role of government in market economies have emphasized the need of government to correct, limit and replace the functioning of markets. These theories tended to focus on market failures, in particular the inadequate supply of public and semi-public goods, monopolization and oligopolization of markets, barriers to entering international markets,

mass poverty and unemployment and the inequality of income and wealth distribution. Many studies in these traditions were generally descriptive rather than analytical, focused at the macro level of the economy rather than the micro level, and came up with general conclusions regarding the role of government rather than specific policy prescriptions.

In strong contrast with the literature referred to above, the neoclassical theory of the role of government in a market economy has emphasized the contribution of markets that function perfectly to overall welfare. Moreover, neoclassical development economics has focused particularly on government failures rather than market failures.

In *The Poverty of Development Economics* (1983) Lal has criticized fiercely the so-called *dirigiste* approach and particularly the works by Hirschman. Lal's critique has been considered as a landmark in the debate between rival paradigms and theories of development. The critique is formulated from a welfare economic perspective and is not a defense of *laissez-faire*. On the contrary, the conditions in which *laissez-faire* results in a welfare optimum are extremely unrealistic and many an assumption underlying the case of non-intervention is not met in reality (Lal, 1983: 12). However, if markets fail, government interventions may only result in a welfare improvement under specific conditions. If these conditions are not met, such interventions may reduce rather than increase welfare.

The micro-economic foundations of structural adjustment policies as supported by the World Bank are rooted in neoclassical economic theory. Welfare theory analyses the conditions in which market interventions of governments may contribute to overall welfare and the effects that different instruments of government policy may have on the behavior of individuals and ultimately on overall welfare. A brief presentation of the theoretical concept of optimal government intervention in markets may contribute to the appreciation of the analytical and technical expertise and the additional administrative and political capabilities required to pursue optimal economic policies.

Among the central tasks of government in neoclassical theory are: the creation of a reliable and consistent macro-economic framework; correction of market imperfections in an effective and efficient manner; the creation of markets in case they are needed but non-existent. Scarcity does not automatically result in the creation of markets. Cases in point are markets for natural resources that are as yet considered as free goods; an optimal supply of public and semi-public goods such as infrastructure, education, security, peace, and a reliable legal system that facilitates economic transactions and protects ownership.

To correct markets in an optimal fashion, four requirements have to be met: a government needs to be informed about the source and the size of

the market distortion; a government needs to have at its disposal effective and efficient instruments that create minimal negative by-effects; an instrument should be applied temporarily only; an instrument should generate the fewest possible opportunities for rent-seeking and abuse (van Dijck, 1995: 71).

The order of ranking of policy instruments – first-best, second-best and next-best instruments – depends on their effectiveness in correcting the market distortion and on the unwanted by-effects of using the selected instrument. The less effective the instrument, and the more by-effects it generates, the less it will contribute to overall welfare. In general it holds true that the more an instrument addresses the root cause of the distortion, the more its use may contribute to net welfare (Corden, 1974).

The selection of instruments is not merely a technical matter but may also be affected by special interests. Traditional neoclassical analysis postulates that government is a homogeneous institution to serve the interests of society at large and bypasses the role of interest groups. However, neoclassical political economy allows for a more differentiated view of government, and for interaction between interest groups in society and rent-seeking behavior by government institutions and civil servants that may help in understanding government failures (Olson, 1965; Baldwin, 1982).

Neoclassical analysis may be of great significance for the design and analysis of structural adjustment policies for two reasons. First, it may contribute to the understanding of the impact of government failures and market failures on economic behavior and ultimately on welfare. Second, it may contribute to ranking policy options and selecting optimal instruments to reduce such distortions. Two examples may clarify the point. The first example is related to an industry generating positive external effects or an infant industry that consequently should be supported by government to generate these effects. The second example is related to an industry generating negative external effects – a polluting industry – that should be induced to limit pollution.

The case of infant industries and positive externalities

There may be strong arguments to support infant and other industries that generate positive external effects through the creation of technical, organizational and marketing knowledge, the improvement of the general economic atmosphere and the reputation of the country in new export markets for goods and services. The infant-industry argument and infant-export industry arguments are well-established in literature but have been misused in economic policy. Obviously, policies in many cases did not

primarily aim at serving the general interest, but were aimed more at specific interests. Rather than founding industrial policy on evidence of positive external effects, support and protection was provided on the basis of general considerations regarding the dynamizing effects of industry as such or on arguments provided by lobby groups. Also, the selection of instruments was not based on welfare-theoretical grounds, and the instruments most frequently used were not first-best. Cases in point are the use of import taxes and quotas. In many countries hardly any effort was undertaken over a long period of time to replace inferior by superior instruments.

There are strong welfare-theoretical arguments in favor of adjusting the selection of policy instruments. One of the policy elements most frequently included in structural adjustment policies has been the replacement of inferior policy instruments such as non-tariff barriers to imports by import taxes and the subsequent lowering and harmonization of such taxes. At the same time it may be urgent to design superior policy instruments to correct domestic market failures and stimulate domestic industries. First-best policy would depend on efficiently operating domestic taxation and subsidization systems that would allow for a fine-tuned support of the specific activity that generates the positive external effect. In most Latin American countries, however, such systems do not function efficiently or hardly exist. Overviewing the progress made in this area in the context of structural adjustment programs in Latin America, it appears that trade liberalization has received a much higher priority than the establishment of an efficient domestic taxation-cum-subsidization system that would allow for a domestic industrial policy on the basis of welfare-theoretical considerations.

The case of sustainable development and negative externalities

The second case relates to government intervention in markets that fail to account for negative welfare effects of pollution. Correction is required in order to reduce pollution to the level that is optimal from the perspective of society at large rather than the individual producer or consumer. Combination of production and pollution to reach a welfare maximum presupposes the availability of information, instruments and even markets that in many cases do not exist.

Coase has shown that market forces may generate an optimal combination of production and pollution and that the role of government may be restricted to defining and enforcing property rights (Coase, 1959). However, to reach such an optimum a large number of preconditions have to be met pertaining to the availability of information, the functioning of markets and transaction costs. In case market forces are not able to generate an optimal solution, government intervention may be required but there are no a priori reasons why government would be capable of correcting this type of market imperfection in an optimal fashion. Knowledge about the source and economic impact of pollution, and the availability of a well-functioning system of taxation and subsidization are two crucial elements of an optimal correction.

To pursue a sustainable type of economic growth pattern is even more challenging and would require even more sophisticated types of expertise and capabilities. Such a policy requires knowledge about the stocks of renewable and non-renewable natural resources, the physical impact of pollution on the environment rather than only its effect on welfare, the capability of the environment to absorb pollution and to function as a waste sink, as well as the preferences of future generations in terms of material welfare and the quality of the environment. The point made here is that welfare economics is formulated in categories that do not capture the physical categories in which sustainability is defined. Put differently: reaching a neo-classical welfare optimum is entirely independent of the degree of sustainability of production and consumption patterns. Thus, correcting markets in an optimal fashion does not necessarily result in a sustainable growth pattern. The implication is not *per se* that welfare theory has no relevance in designing a sustainable development policy, rather that its scope has to be broadened in order to integrate the concept of the existence value of the environment which is independent of individual preferences.

An implicit assumption behind any reasoning in support of government interventions in markets for the sake of sustainable development is that government is more capable of identifying itself with the interests of future generations than individuals and groups in the private sector are, and that it has superior insight and information about these interests. That is not necessarily a correct assumption as follows from the literature on rational choice in government behavior (Bates, 1988). It may very well be the case that civil servants, aiming at maximalization of their individual welfare in the short term, and politicians, aiming at maximizing their chances to stay in charge and holding their positions, will have a higher rate of discount than individuals and groups in society may have.

A comparison of the theoretical construct of optimal government policy and governments' operations in the real world shows three types of shortcoming. First, many types of pollution that create negative welfare effects are not dealt with at all by governments. Second, in many cases incentives are provided that tend to increase pollution and reduce sustainability.

Third, environmental policies lack adequate information and first-best instruments.

Theoretical limitations

The neoclassical analysis of optimal government intervention may function as a useful framework to study the effects of different policy instruments. However, the theory is based on a large number of assumptions many of which do not hold in the real world. The theory of "second best" is not yet sophisticated enough to analyze the welfare implications of government interventions in case several market distortions occur at the same time. For instance, theory clearly shows that a policy shift from import protection towards free trade may increase welfare, but the welfare implications of trade liberalization in markets that are distorted for other reasons than import barriers are less evident.

Additionally, the theory of rational expectations has shown the complications involved in modeling the response of the private sector to government policies. Particularly in countries with a long history of pervasive, fluctuating, inconsistent and ultimately debilitating government interventions, the response of the private sector to new policies will strongly be determined by past experience.

Finally, it is difficult to design a theoretically optimal path of liberalization – that is, the optimal order and speed of liberalization. The literature on the optimal order of liberalization of the markets of goods and financial markets, i.e. of the current account and the capital account of the balance of payments, is not entirely conclusive. Moreover, arguments in favor of rapid or shockwise liberalization differ in character from arguments in favor of a more gradual process of transition, and welfare implications of differences in the speed of transformation are hard to assess. Consequently, neoclassical theory does not provide an adequate analytical basis for adjustment and transformation policies and consequently there are clear limitations to the relevance of theory as a tool for designing such policies in the real world. Put differently, the theoretical basis of adjustment and transformation policies is in several respects inadequate.

The brief review of the neoclassical approach of optimal government policies shows that even if the role of government is restricted to core activities – the creation of a consistent and reliable macro-economic framework, the correction of market imperfections, the creation of new markets and the provision of public goods – this will require detailed information on costs and benefits of private sector activities to society at large; a consistent and reliable policy framework; sophisticated capabilities

to apply policy instruments; and sufficient autonomy of the government in order to execute policies that serve overall welfare rather than interests of pressure groups.

THE WORLD BANK CONCEPT OF OPTIMAL ECONOMIC POLICY

Involvement of the World Bank in economic policy design is rather recent as compared with the much longer tradition of the IMF in financing adjustment policy in developing countries and in Latin America in particular. The importance of a stable macro-economic environment for executing projects successfully was already realized during the negotiations in Commission II that prepared the establishment of the International Bank for Reconstruction and Development (IBRD) at the Bretton Woods conference in 1944. Hence the World Bank's Articles of Agreement include the provision that in order for a country to become a member of the Bank, it must be a member of the Fund.

During the 1950s, the Economic Commission for Latin America and the Caribbean (ECLAC) and the World Bank favored long-term macro-economic planning and the bank conditioned its loans to Latin American countries upon the overall economic planning effort of these countries (Hirschman, 1986: 50; Teitel, 1992: 259; Gerchunoff and Torre, 1992: 376).

There was serious concern about the macro-economic situation in the Latin American region in the mid-1960s at the time that the IMF was frequently involved in stabilization programs in that area. Already during the 1950s and early 1960s Latin American countries were large users among developing countries of IMF resources and 18 countries in the region made use of their drawing rights in the period 1948–62 (Garritsen de Vries, 1987: 66). During this era, the relationship between the countries in the region and the IMF was uneasy and according to Volcker, it was a mistake not to involve the World Bank and the IDB in the policy dialogues with the Latin American governments at a much earlier stage (Volcker and Gyohten, 1992: 211).

Some policy conditionality has always been attached to project financing by the World Bank, and there have been isolated cases of program financing in the 1960s (in India) and the 1970s (in African countries). Also, the bank experimented with macro-economic policy conditions that were attached to loans in Peru and Chile in the early 1970s (Polak, 1994: 14). Structural adjustment programs – that is, non-project financing combined with conditions related to sector-specific or overall policy reform – only started to become a major new activity of the World Bank in the 1980s. Four factors stimulated the Bank to shift from project loans to program loans.

The first reason is general by nature and refers to the fungibility problem of project loans: in project financing it is unclear to the donor what activity is financed, since external financing of government investment projects allows the recipient government to allocate its means in an alternative fashion that may or may not be in accordance with the objectives of World Bank financing operations.

Second, the Bank concluded that inappropriate policies by recipient governments deteriorated the economic environment of projects and had a negative effect on the contribution of projects to welfare, and on the financial sustainability of project loans.

Third, the results of the policy dialogues between governments and the World Bank were unsatisfactory to the Bank and yielded insufficient results in terms of policy reform in countries receiving project loans.

Fourth, project aid has been disbursed only slowly due to the length of the stages of project design, appraisal and approval. In view of the deteriorating external environment there was a need for quick-disbursement mechanisms (Mosley *et al.*, 1991).

The shift from project loans towards structural adjustment programs required a re-organization within the Bank. Moreover, new types of expertise to make sector- and country-specific analysis were required to support the design, execution and appraisal of these programs. The project approach of the World Bank required in particular the expertise of professional engineers whereas the program approach requires in particular expertise of economists (Mosley *et al.*, 1991: 29).

The view of the World Bank on optimal government policies expands on neoclassical theory but is also supported by insights from other branches of economic theory and to a limited extent from other disciplines. Studies by the World Bank emphasize in different degrees the need to create a stable and reliable macro-economic framework; to reduce government involvement in many traditional spheres of intervention; to undertake selectively and in specific circumstances new types of activities in ways that are compatible with market forces, particularly in the areas of poverty alleviation and pollution abatement; to decentralize and stimulate participation of regional and local governments as well as Non-Govenmental Organizations and target groups. Finally, the World Bank stresses more recently the vital importance of superior technocratic capabilities and of good governance.

The Washington Agenda

The combined series of stabilization and structural adjustment measures included in the policy packages that are favored and supported by the IMF, the World Bank, USAID and the IDB is frequently referred to as the Washington agenda or consensus. As put by Williamson, who introduced the term, "[i]t is generally assumed, at least in technocratic Washington, that the standard economic objectives of growth, low inflation, a viable balance of payments, and an equitable income distribution should determine the disposition of such policy instruments" (Williamson, 1990: 8). Key elements of the agenda are the restoration of macro-economic balances and improvement of the functioning of markets by reducing government intervention. More specifically, the main policy issues and instruments on the agenda are: 1) restoring fiscal discipline, particularly by reducing expenditures, not so much by raising taxes; 2) priority for cutting expenditures on indiscriminate subsidies such as for state enterprises and consumption items such as food and energy; 3) establishment of a broad tax base with moderate marginal tax rates; 4) positive real interest rates that are market-determined; 5) a real exchange rate that is consistent with medium-term macro-economic objectives of economic growth; 6) import liberalization and particularly abolishment of non-tariff barriers; 7) promotion of foreign direct investment; 8) privatization; 9) deregulation and 10) protection of property rights (Williamson, 1990).

The term Washington agenda or consensus is confusing for four reasons. First, it suggests that the design and execution of the programs is limited to the multilateral institutions. However, in an increasing number of countries in Latin America, governments have come to power that share the priorities regarding policy instruments and objectives included in the agenda. In that sense, the consensus among the powers-that-be has become more widely shared in the Southern Hemisphere (Iglesias, 1994a: 4–5).

Second, there is no theoretical consensus with respect to a number of issues on the agenda. It is true that neoclassical economics has become the predominant paradigm and that the influence of structuralist perspectives has declined significantly at the theoretical level, but this does not alter the fact that neoclassical economics is not capable of providing a consistent and comprehensive theory of policy reform in all areas distinguished above (Krugman, 1995). As put earlier, it does not follow from theory in a straightforward fashion what the first-best and next-best policy instruments are in case of distorted markets, and what the optimal order and speed of reform are.

Third, in many cases there is lack of political consensus in society on the adjustment policies. Frequent failures of adjustment programs supported by the IMF and the World Bank were in part related to lack of co-operation by government institutions themselves as well as to resistance by segments of the private sector and by social groups. Support and consensus depend strongly on specific conditions – such as an economic crisis – and in many cases turned out to be only temporarily.

Fourth, although the Washington agenda is ambitious and far-reaching, it has neglected some major areas of policy reform for a long period of time. This is particularly true of the role of government investment to support growth, the instruments to correct income and wealth distribution and to alleviate poverty, the instruments to protect the environment, and the political economy of policy reform, and the institutions and the organization of support for policy reform. In this context, Williamson refers to the urgency of reorienting public expenditures towards basic education, health and low-cost housing, land reform and the legalization of property rights in the informal sector, and improvement of the functioning of the capital market to support small peasants and entrepreneurs (Williamson, 1994c: 173).

ASSESSING STRUCTURAL ADJUSTMENT PROGRAMS

Methodological observations

To understand the functioning of programs, the effects of policy have to be distinguished from other factors having an impact on the selected performance indicators. However, serious methodological problems set clear limits for doing so accurately.

Most studies in this field follow the so-called before–after approach by comparing values of selected variables at the beginning and end of the period under investigation and by relating these changes to the adjustment program. The most serious shortcomings of such comparisons are the following: the effects of the program cannot be isolated from the impact other events may have had, including the effects of IMF stabilization programs; no distinction is made between an agreed program proposal and actual implementation of the program; no distinction can be made between the effect of policy change and the impact of the loan that comes with the program; finally, it is not possible to capture effects that occur with a long time lag.

The lack of precision and reliability of this methodology may have contributed substantially to the controversy over the effectiveness and effects of programs. For example, the UNICEF study *Adjustment with a Human Face* concluded from the experience in ten countries that traditional adjustment programs tend to increase aggregate poverty (Cornia, 1987: 66). The World Bank has opposed this view and concluded that the methodological basis of the UNICEF study was poor and the interpretation of data inadequate (World Bank, 1990a: 27).

An alternative approach is comparing the performance of countries pursuing structural adjustment programs with other countries. Such comparisons have been made frequently in World Bank studies (World Bank, 1990a). This methodology suffers from the same type of limitations as mentioned above.

The preferable methodology is simulation of structural adjustment programs and alternative policy options on the basis of a model and comparison of the effects of real world policies with the counterfactual. Constructing such a model may be complicated by several factors. First, many effects of structural adjustment programs occur only with a considerable time lag which requires the construction of a more complicated medium-term model rather than a short-term model. Second, to analyze the effects on income distribution and poverty, detailed subdivisions of income groups according to economic activity including a gender dimension would be required. Since a significant share if not the majority of the poor in Latin America live in urban areas, this requires detailed information on the functioning of urban informal markets and on the interaction between the formal and informal economy. Third, markets in many developing countries are highly distorted, not only due to government interventions but also due to market failures. Barriers to entering markets may be pervasive particularly for small firms, capital markets are imperfect to the detriment of small firms and farmers, and labor markets do not function properly. Modeling of distorted markets is hard to do and most models bypass all or most imperfections. Fourth, response of the private sector to government policy is strongly influenced by experiences in the past. Modeling the response adequately may be particularly difficult in countries with a long history of policy failure as is the case in Latin America. Fifth, analysis of the effects of policy reform on the environment adds to the complications mentioned above and requires an additional data set on environmental effects of production and consumption patterns. Moreover, in many cases environmental effects have time dimensions that exceed the timeframe of economic models and are not limited to the national economy but spill over borders.

It follows from the above that assessments of adjustment programs – whether in critical or supportive ways – should be seen in relationship with the methodology that has been applied. Most studies have been based on rather inadequate methodologies and consequently their conclusions must be considered with great caution and must not be generalized. It is not really possible to make strong statements pertaining to the impact of such policies on overall economic growth, income distribution, poverty and the environment.

A sharp distinction should be made between an assessment of structural adjustment programs in terms of their objectives as formulated in the program document, and an assessment in terms of their contributions to reaching a specific level of welfare. The first type of assessment is usually made by comparing the conditionality of the loan – formulated in terms of changes in the use of policy instruments – with the actual shifts in policy. Such evaluations are part of the standard program procedure. The second type of assessment compares the objectives of the program with a specific welfare function or, alternatively, analyzes the impact of the program on a specific set of welfare-related performance criteria. Thus, programs may be executed successfully but may fall short in satisfying specific welfare-related objectives that may or may not have been addressed by the program, such as poverty alleviation and environmental protection.

There is clear evidence that many programs were not executed fully and that only part of the conditionality attached to the loans was satisfied. This holds true for IMF as well as World Bank programs. During the period 1978–81, 40 percent of IMF stand-by programs and 56 percent of Extended Fund Facility (EFF) programs "suffered from major breaches of performance criteria." Out of 34 EFF programs implemented between July 1975 and April 1987, 19 were canceled before completion. Also, 30 out of 180 stand-by programs implemented between 1980 and 1987 were canceled before completion. (Nelson, 1990: 16–17). According to Remmer "unsuccessful implementation of IMF programs has been the norm in Latin America, not the exception." Remmer attaches to this finding that "the economic, social and political impact of IMF programs has been overstated" and that "the ability of the IMF to impose programs from the outside is distinctly limited" (Sachs, 1989: 280–281).

Causes of program failure

Four causes of program failure may be distinguished: inappropriate design; inadequacy of policy instruments; opposition by the private sector and government institutions, and external factors. These four causes of program failure will be dealt with briefly below.

As indicated earlier, the theoretical basis as well as the empirical basis of structural adjustment programs is not always entirely satisfactory. The theory of "second-best" is not sophisticated enough to deal with market imperfections and there is no theory of transformation that is able to deal with questions pertaining to the optimal order and speed of transformation. Dealing with the problems related to the collection and processing of data and the improvement of the design of sector-specific and economy-wide

models to support economic policy reform are *par excellence* part and parcel of the technocrats' task.

Second, structural adjustment programs aim essentially at a shift in the use of policy instruments and government institutions towards more "market friendly" (that is, efficient) instruments and institutions that have less disruptive by-effects. Domestic taxes and subsidies substitute import barriers. Thus, the establishment of an effective and efficient fiscal system is key to the success of the program. Also, a successful export-push model requires institutions contributing to the dissemination of technological knowledge and marketing information as was the case in the high-performing Asian economies (Van Dijck, 1995). Again, the design and execution of optimal functioning policy instruments and (semi-) government institutions belong *par excellence* to the responsibility of technocrats.

Third, asymmetries between losers and winners render successful implementation of programs difficult. It is likely that losers and those that fear to become so will be better organized and consequently more able to resist policy change than potential winners are. The losers will in all likelihood be concentrated in sectors that were traditionally much supported and protected by government policy. They are probably better organized and more capable of protesting and challenging the powers-that-be, than the potential winners of these policies are, many of whom live in rural sectors. Winners are probably much more dispersed and positive effects of programs generally take more time, and are less directly noticeable.

Moreover, the reform of government will meet resistance within government itself that may endanger the successful execution of the program. In this context Nelson refers to the dilemma that government is required to change policies that are economically damaging or irrational but politically rational (Nelson, 1990: 47). The significant reduction of the role and influence of government agencies due to cuts of subsidies, abolishment of licensing systems and privatization of industries limits opportunities of the bureaucracy to exercise control over the private sector and to seek rents. To the extent that resistance against programs can be foreseen, it is part of the technocrats' task to anticipate such response in the stage of program design. However, it will be the role of politicians and technopols to handle resistance during the stage of program execution.

Finally, external factors may seriously endanger the successful execution of programs on purely economic grounds as well as for political reasons. Unforeseen and uncontrollable events in international commodity markets and foreign-exchange markets may jeopardize the liberalization-cum-exchange-rate policy, and interest-rate fluctuations in international capital markets may endanger stabilization and balance-of-payments

adjustments. The negative effects of external shocks for the domestic economy may reduce domestic support and allow the opposition to rally against the program.

Having reviewed these four causes of program failure or potential non-compliance, two observations are in place. First, it follows that program failure does not necessarily imply that the program as such was not well designed, nor that full implementation would not have contributed to overall welfare. Second, program failure may have serious consequences for domestic governments as well as for the World Bank. No matter how well programs have been designed and what the causes of policy failures have been, failures reduce the credibility of the Bank and hence reduce leverage of the Bank over governments.

TECHNOCRATS' CHALLENGES

The presentation above of the problems related to the design and execution of successful policy-reform programs may serve to appreciate the type of adjustments and corrections that are required to improve the contribution of these programs to a sustainable and more equitable type of development in an effective and efficient manner. Some proposals presented below originate from the World Bank itself and are being gradually introduced in newly-designed programs. Other proposals have been put on the table by other institutions and organizations that disagreed on the ways in which the Bank has orchestrated the development process in a large number of countries. Part of the latter type of critique has by now been accepted and has contributed to adjustments and corrections in the design and execution of more recent programs. First we shall present some proposals related to the technocrats' domain proper and continue by focusing on the technical requirements of broadening the scope of the programs.

Improving the ability to design and execute programs

The ability to design and execute a stable and supportive set of macro-economic policies – the fundamentals – may be considered the hard core of traditional structural adjustment programs. Failure to stabilize the economy and improve the macro-economic performance has been considered the root cause of unsuccessful attempts to liberalize the trade regime in many countries. High rates of inflation and real overvaluation of the domestic currency were at the heart of these failed attempts as indicated in several studies by the Bank (World Bank, 1990a; Thomas *et al.*, 1991: 39; S. Edwards, 1993). Alternatively, successful macro-economic management has been considered a key-ingredient of the "East Asian miracle."

Moreover, the design and execution of more recent programs has become more complicated since these programs are required to meet more objectives – particularly in the areas of poverty alleviation and pollution abatement – and to be more selective in their approach than traditional programs tended to be. New programs will have to address more types of market imperfections and have to deal with the establishment of new markets and institutions. Hence the high priority for improving the skills and technical expertise of the civil service.

Improved capabilities of national governments in these respects are also a necessary precondition for a more independent and self-reliant position in the process of negotiating a combined package of policy adjustments and financial assistance with the IMF, the World Bank and donors. It may strengthen in particular the position of the recipient country in negotiations with the Fund and the Bank on the Policy Framework Paper that includes the country's longer term policy objectives.

The trend of increasing the number of performance indicators during the 1980s may be understandable from the Bank's perspective, but tends to turn the recipient government into the position of the executer of the Bank's program, instead of the Bank being the financial institution supporting the country's policy. To illustrate the point: in 1989 an average of 56 conditions were attached to structural adjustment loans, but programs may have had over one hundred specified conditions (Polak, 1994: 15. As Mosley *et al.* put it: "[t]he SAL often became a 'Christmas tree' decorated with enough conditions to please everyone" (1991: 43).

The first review of Policy Framework Papers (PFPs) by the Bank in 1988 concluded that these papers reflected priorities of the Fund and Bank rather than the governments involved. As the Bank puts it: "Fund-Bank procedures... tended to consolidate the practice of preparation and clearance of the main body of PFPs in Washington and of subsequent field discussion with country authorities of semifinished drafts" (World Bank, 1988: 7). To increase the commitment of government to the program and consequently the program's credibility, ownership of the program should clearly be with the government, and the tendency of adding conditions to programs should be reversed. This conclusion builds upon the findings of Killick pertaining to the role of conditionality attached to IMF loans, according to which "conditionality is unlikely to have much effect if it is perceived as having been imposed from outside and if there is less than a wholehearted government's commitment to the program" (Killick, 1984: 262).

Design and execution of structural adjustment programs make high demands on the technical expertise, capability and political skills of government. Hence the need to improve the functioning of government. What is needed is not just less government but better government. Developing of the internal capability for policy analysis has been compared with a pyramid. On top is a small team of advisers concerned with economic strategy and related issues. "This group has to be ideologically close to the government and must enjoy the confidence of the political leadership." This team is supported by sector specialists. "These technocrats provide the continuity when governments change" (World Bank, 1989: 57, 58).

The development of strong government institutions requires a high quality civil service, with a well-developed capability to monitor, analyze and perform and that is paid at competitive rates. Moreover, a critical characteristic of successful technocratic institutions is insulation, that is: "the ability of economic technocrats to formulate and implement policies in keeping with politically formulated national goals with a minimum of lobbying for special favors from politicians and interest groups" (World Bank, 1993a: 167).

The World Bank study *The East Asian Miracle* concludes that technocratic insulation and high levels of expertise of civil servants has been a crucial factor in the success of the high performing East Asian economies and supported stable, consistent and effective macro- and micro-economic policies including selective interventions in markets to shift comparative advantage and push export. Selective government interventions to correct markets are generally considered risky and the World Bank adheres to the position that government interventions in markets "are likely to do more harm than good," unless market interventions are market friendly. On the basis of a review of government interventions in developing countries it is concluded that "in general governments have been unsuccessful in improving economic performance through attempts to guide resource allocations by other than market mechanisms... In short, though market failure is an important impediment to rapid growth, so is government failure – and government failure can have high costs" (World Bank, 1993a: 84).

Haggard and Chung-in Moon find in a study on Korea that reasonable autonomy is probably essential to design and execute politically painful policy measures (Nelson, 1990: 21). Moreover, on the basis of successes in East Asia and Latin America, particularly Chile, and failures in many other areas, Thomas *et al.* conclude that during the execution of the program, an applied research team should remain available "to respond to complaints, answer attacks on the program, and reach out to inform and

politically reinforce nascent beneficiaries". Thomas *et al.* suggest strong commitments, announcements and bold first steps being part of an optimal reform program and refer to Nelson's recommendation of "Fabian strategy and blitzkrieg tactics" (1991: 90–1).

Finally, it may be observed that there is no necessary link between the degree of insulation of economic technocrats and the political regime of a country: insulation may be significant in open democracies and insignificant in "strong" and "weak" authoritarian states. Thus, competence, honesty and insulation are three key elements of successful institutions (World Bank, 1993a: 174).

To enhance the acceptability of programs and hence support, essentially two types of measures should be taken to address the problem of asymmetry between winners and losers. First, potential winners should be mobilized by informing the public at large about the effects of the program, to the extent that available models allow such effects to be distinguished with sufficient accuracy. Thus, support for losers during the stage of transition is not only required to obtain a Paretian optimum rather than a potential optimum, but facilitates also the transition process itself towards the optimum. In that sense, supporting losers is part of the technocratic agenda. This, however, does not preclude that from a political perspective it may be necessary to compensate well-organized and powerful groups for losses during the transition in order to gain their support (World Bank, 1990b: 115; Thomas *et al.*, 1991: 92).

Finally, participation of local government, NGOs and target groups may contribute to the effectiveness of programs, particularly in the relatively new areas of poverty alleviation and environmental protection. These organizations and groups dispose of specific knowledge and structures that may facilitate the design and execution of programs. Cases in point are rural employment programs, social security nets and targeted assistance programs, social emergency funds, as well as programs to protect biodiversity, and sustainable exploitation of forests and rural areas. It is the Bank's stated policy to increase NGO involvement in project design and planning, "particularly for grassroots groups of the poor" (World Bank, 1993b: 5–16). Although the objective of adjustment programs of the Bank is to support governments, decentralization and participation are considered useful strategies to improve the functioning of programs. NGO involvement may particularly contribute to the effectiveness of projects that depend upon collective participation by large target groups. An internal study in 1985 concluded that involvement of beneficiary organizations plays a key role in project sustainability, particularly in projects focused to deliver assistance to specific groups (World Bank, 1993b: 6–15, 6–18). To

improve the management of social programs, it is put that "[t]he watchwords for the future are delegation, community participation and cost recovery" (World Bank, 1989: 7). Experience with projects with a substantial environmental component also supports participation and co-operation with local communities. After the failures of large-scale projects in the 1980s, the Bank favors, in its documents and internal project manuals, involvement of NGOs and participation of local communities. Thus, decentralization and broadening of participation for the reasons mentioned above are not *per se* in contradiction with a technocratic approach as conceived in this study, but may be functional components of it.

However, the Bank has only limited experience in co-operating with NGOs and grassroots organizations in these two areas. Moreover, co-operation in the area of poverty alleviation by means of safety nets such as social funds have not resulted in unqualified successes so far, as will be shown below. In the area of environmental protection, NGOs have frequently felt offended by the lack of co-operation of the Bank, and by its preference for confidentiality and for informing people that are potentially affected by its project and program operations only at a late stage, rather than consulting them at an early stage. This has resulted in open conflicts and confrontations (Rich, 1994).

Broadening the scope of programs

To contribute to a sustainable and socially more acceptable type of economic growth, recently designed programs have addressed the problems of poverty and environmental degradation more directly than was the case in the past. Both policy areas deserve a higher priority in programs of the future. Since there is only little experience and expertise regarding incorporation of these two areas in adjustment programs, many methodological, institutional and political problems still have to be overcome. Moreover, although successful broadening of programs may add to their acceptability and broaden support, it may also give rise to controversy and conflict: priority for poverty alleviation may raise conflicts between poor and non-poor, and policies aiming at making polluters pay and restricting the free exploitation of nature may meet fierce resistance from poor and non-poor alike.

Poverty alleviation

The attack on poverty, in particular rural poverty, became a priority in the Bank's project lending operations from 1973 onwards. The President of the Bank at the time, McNamara, indicated in his Nairobi speech at the

Bank's annual meeting on September 23 that stimulating overall growth is inadequate to alleviate poverty. Trickle-down effects were too small and growth of GNP benefitted particularly the top 40 percent of the income groups. As announced, the Bank would target on "absolute poverty," not "relative poverty." More specifically, priority was assigned to support smallholders in rural areas (Shapley, 1993: 508–12).

The involvement of the Bank in structural adjustment programs in the early 1980s shifted priority back to renewed growth. Performance indicators did refer to macro-economic management, not so much to poverty alleviation. However, the neglect of poverty alleviation as a priority in earlier programs does not necessarily imply that such programs were harmful to the poor. As indicated earlier, methodological problems hamper accurate assessments of the impact of programs on poverty. This low priority, however, was criticized by UNICEF, ECLAC and other institutions but was also contested from within the World Bank. Recently, however, the attack on poverty has been put on the agenda of the Bank as a top priority. As President Preston put it in 1993: "Poverty reduction is the benchmark against which our performance as a development institution must be judged" (quoted in Stewart and Van der Geest, 1995: 1–2).

The World Bank approach of poverty alleviation consists of three elements: macro- and micro-economic policies that support overall economic growth and employment for low-skilled labor; provision of basic social services in the areas of public health care, family planning, nutrition and primary education; and a program of well-targeted safety nets and transfers (World Bank, 1990a: 3; 1993a). Thus, the Bank considers structural adjustment programs a vital contribution to poverty alleviation. Destabilization of the economy probably hurts the poor more than the non-poor, many types of market imperfections are particularly detrimental to the poor in urban informal sectors and in rural sectors, and interventions in the trade regime tend to distort exploitation of comparative advantages that are essentially concentrated in labor-intensive production processes. By addressing these disequilibria and policy-induced market imperfections, programs may support the poor.

However, some revisions of these programs are required to improve their contributions to poverty alleviation. Restructuring of public expenditures during the adjustment process may be required with respect to some selective types of consumption and investment categories. Expenditure reviews facilitate this process by analyzing the impact of all categories of public spending on the poor. The first objective of such a revision may be to cushion consumption of the poor by offering subsidies, public employment schemes, and compensation for laid-off workers. However, options

to reduce temporarily government investments for the sake of increasing income transfers to the poor are limited in most Latin American countries in view of low investment ratios (World Bank, 1990a: 104–12). The second objective may be to maintain adequate levels of investment in health, education, irrigation works, rural roads and investments that particularly serve the needs of the poor (The World Bank, 1990a: 116–29).

The World Bank emphasizes creation of productive employment and improving job opportunities for the poor by providing primary and secondary education, rather than redistributing wealth and income. The Bank is rather reluctant to advise or support land redistribution programs for economic and political reasons. Moreover, it tends to take the position that tax increases in order to finance income redistribution are not supportive of overall economic growth. Nevertheless, in addition to revision of adjustment programs and stimulation of selective public investments, the Bank is in support of designing well-targeted safety nets including social funds. Experience shows, however, that designing and executing well targeted programs has been extremely difficult to do.

If subsidization of food or other necessities of life is not targeted effectively, support programs may become a heavy burden on the government budget. For that reason, general food price subsidies are not preferable. However, selective targeting or rationing may be complicated and result in misallocation and abuse. Targeted safety nets may suffer from E-errors (excessive coverage of people outside the target group) and F-errors (failed coverage of people within the target group). A World Bank study of targeted social programs in Latin America shows that both types of error occur frequently and have various different causes. Overall conclusions of the study are that targeted programs have significantly more progressive incidence than general food price subsidies have, and somewhat more progressive incidence than basic public health and education services have. Also, it was found that administrative costs of programs with moderately good incidence need not be excessively high (Grosh, 1994: 159).

Latin America has played a pioneering role in the development of social funds. Bolivia's Emergency Social Fund indeed set a precedent in departing from traditional procurement procedures of the World Bank. Funds were traditionally supported by the Bank as project components, but Bolivia's fund, established in 1986, was the first self-standing social fund supported by the Bank. It has functioned as a role model ever since. The objectives of social funds are poverty reduction; compensation of those directly adversely affected by adjustment programs; providing political support for adjustment programs, and raising additional finance. Thus, involvement of national governments and the Bank in establishing and supporting social funds may be rooted in genuine welfare considerations but may also be politically motivated. Funds finance service provision in nutrition, health and education; investments in areas of particular importance to the poor such as nutrition, health, education, housing, irrigation, water and sewage, reforestation and road maintenance; capitalization of credit schemes and small firms; and institutional support for requesting organizations and NGOs (World Bank, 1993a: 6–6). To deliver their services to the poor quickly, funds co-operate with decentralized organizations that are in direct contact with the target groups. By July 1994 the Bank had supported about 30 social funds, nearly half of which (47 percent) were in Latin America.

Cornia and Van der Geest have attempted to assess the scoring of social funds in terms of E-errors and F-errors. Their study reviews funds in 11 countries including Bolivia, Costa Rica, Chile and Honduras. In terms of E-errors, the programs in Latin America scored high, implying that the share of non-deserving among the recipients was large, with Chile as the major exception because of effective self-targeting. In terms of F-errors, the programs in Bolivia and Costa Rica scored high, implying that the share of persons in the target group that was not reached by the program was large. Chile scored by far superior and data on Honduras were not available (Stewart and Van der Geest, 1995: 22). The overall conclusion of the study is that the newly designed social funds, modeled after Bolivia's fund, do not provide effective and efficient safety nets: "[t]hey seem often to constitute political panacea during unpopular adjustment programs" (Stewart and Van der Geest, 1995: 34).

Environmental protection

The stimulation of overall economic growth by the execution of large-scale infrastructural projects and structural adjustment programs may have had a significant negative impact on the natural environment. Environmental destruction reduces welfare and/or the so-called existence value of nature, but such effects have been neglected or underestimated for a long period of time in project assessments. Cases in point are two large-scale projects that started in the early 1980s in Brazil. The Northwest Region Development Program, *Polonoroeste*, included the paving of 1,500 kilometers of the BR-364 Highway. The project failed to meet its objectives of reducing forest clearance on land with little long-term agricultural potential and to promote sustainable farming systems based on tree crops (Mahar, 1989: 34). The Greater Carajas Program included the construction of the Carajas iron ore mine, a deepwater seaport in São Luís

and a railway link of 780 kilometers. The latter project was originally conceived as an "environmental model" with special provisions to protect forests and indigenous people. Nevertheless, it caused great damage to welfare and forests. Both projects were supported substantially by the World Bank and have caused not only great damage to the environment but also to the reputation of the Bank itself.

Since 1986 the Bank has taken a series of initiatives to improve its capabilities to assess and reduce the negative environmental impact of its projects and programs, and to increase its financial resources to contribute to sustainable development. Following the publication of the *Brundtland Report* in 1987, the Bank announced the establishment of a central Environmental Department and of four regional environmental units that are in charge of watching the environmental effects of projects. All projects are categorized according to their potential impact on the environment. Projects with status A, in which at least 10 percent of project expenses are related to the environment, pass a complete environmental assessment. Projects with status B devote a smaller share of their expenses to the environment and pass a more limited environmental assessment. Projects with status C do not have to pass such an assessment. Over half of the projects approved or presented in 1993 had status A or B. In 1991 the *Environmental Assessment Sourcebook* was released, a manual that puts together all the Bank's environmental policies and guidelines and provides checklists for environmental assessments. Moreover, it includes procedures on how to organize public participation and involvement of NGOs and local communities (World Bank, 1991: 68–9).

The new environmental program includes projects for pollution abatement, sustainable exploitation of natural resources and institutional development. Moreover, the Bank has increased its forestry lending significantly. In co-operation with some UN specialized institutions, the World Bank established the Tropical Forest Action Plan (TFAP) and endorsed it in 1987. However, the plan failed due to misconceived projects and was *de facto* terminated in 1991 (Rich, 1994: 160–6). Also, the Bank manages in co-operation with the UN the Global Environmental Facility (GEF) that was established in 1990. Finally, the Bank has introduced new priorities in its structural adjustment programs to address environmental problems and to support a more sustainable type of development. To put the Bank's policy in perspective, some observations will be made pertaining to the Bank's view on the concept of sustainability itself.

The World Bank considers stable macro-economic policies as described earlier a major ingredient of a policy for environmentally sustainable growth. Many distortions – both government-induced distortions and

market failures – result in excessive exploitation of the environment and unsustainable development. Thus, improvement of the functioning of markets will facilitate environmental policies (World Bank, 1992: 65). Elimination of some specific government-induced distortions may contribute directly to the reduction of environmental exploitation. In the case of Amazonia, fiscal incentives for livestock projects and for investments in the Greater Carajas area have contributed to the destruction of the forest. Alternatively, improvement of the administration of the capital tax system may reduce land speculation and the destruction of forests that comes with it (Mahar, 1989: 48–50).

In addition to correcting their own failures, governments should correct markets that fail. Generally speaking, the value of the environment to society at large is not reflected adequately by prices. Market failures have to be addressed by well-chosen public policies and public investments. Establishment of clear property rights, and a costs-efficient combination of regulatory measures and price incentives are required. Governments in developed and developing countries as well as private firms have often shown a preference for direct regulation of resource use and pollution which may have overburdened the administrative capability. Although indirect policies and price incentives are generally more efficient, there are clear cases in which direct, regulatory measures are an effective option, such as in the regulation of land use or in cases where pollution is caused by only a small number of large polluters (World Bank, 1992: 73–4). As the Bank puts it: "[s]econd-best policies are not desirable, but if well implemented, they are often preferable to unenforced 'perfect' policies" (World Bank, 1992: 83).

STRUCTURAL ADJUSTMENT AND POLITICAL REGIMES

Finally, some brief observations will be made on the relationship between the nature of political regimes and their ability to execute successfully policy reform. Two questions pertaining to this relationship need to be addressed in particular. First, are authoritarian regimes more successful in executing structural adjustment programs than non-authoritarian regimes are? Second, should the World Bank attach political conditionalities to adjustment programs?

There is no clear evidence that authoritarian regimes have been more successful in executing structural adjustment programs than other types of governments have been. This is probably true of programs designed with the Bank as well as of so-called heterodox programs and shock therapies

executed independently and without financial support of the IMF and the World Bank. A survey by Remmer including 114 stabilization programs in Latin America in the period 1954–84 and a survey by Haggard including 30 EFF programs in 34 countries did not come up with a significant relationship between political attitudes and success rates of policies.

Not unlikely, variations within regime types may be more significant for the successes or failures of policy reform than the overall democratic or authoritarian character of regimes (Maravall, 1995: 17). Haggard distinguishes between weak and strong authoritarian regimes. Weak authoritarian regimes are characterized by crucial personal relationships between government and the private sectors and patron-client networks to support government. Moreover, the power of technocrats is circumscribed and their role is marginalized. In contrast, the strong authoritarian state is characterized by a dominant coalition of military elite and technocrats (Haggard, 1990: 216–18; Haggard and Kaufman, 1989). Studies indicate that concentrated authority facilitates implementation of reform programs and heightens credibility (Nelson, 1990: 25). Nelson concludes that "[t]he cases of clear failure all traced collapse in large part to deeply divided economic teams" (Nelson, 1990: 347).

The overall economic condition is another factor contributing to the success of policy change. A crisis may strengthen public support for structural adjustment and the willingness of politicians to rely on technocrats (World Bank, 1990b: 115). However, Thomas *et al.* indicate that a crisis does not *per se* add to the case of reform "if the regime's political structures and client-patron relationships remain intact. Successful reform, therefore, often occurs when there is a sharply demarcated change in regime" (1991: 87). Przeworski finds that radical reform programs may generate broad popular support if voters have strong confidence in the success of a program. "Hence, radical reforms, though they engender high social costs, are not necessarily always imposed on the population by technocrats and politicians. If people trust the government, voters may opt for the 'horse therapy'..." (Przeworski, 1991: 165). However, the initial support often erodes as social costs set in (*ibid.*, 162).

The conclusion is that trust in new policies may be expected to be strongly dependent on the objectives of the policy, the coherence of the program, its compensation mechanisms for potential losers, and expectations regarding the capability of government to execute its own program successfully. A unified technocratic team may play a key role in such a context, but that does not necessarily imply that civil and political rights and democratic procedures are neglected or violated.

The second question to be dealt with refers to the role of political conditionalities attached to adjustment programs. More specifically, the

question is whether the World Bank may or must refuse to provide loans to regimes that systematically violate basic human rights as recognized in international treaties. Strictly speaking, the political form of governments and their modes of operation outside the economic domain are deemed beyond the mandate of the Bank. According to Article III Section 5b of the Articles of Agreement of the World Bank, loans are to be made "with due consideration given to economy and efficiency, and without regard to political or other non-economic influences." According to Article IV Section 10, the World Bank and its officers "shall not interfere in the political affairs of any member; nor shall they be influenced by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these shall be weighed impartially." Consequently, violation of civil and political rights by governments can only be taken into consideration if such violations have a negative impact on the effectiveness of the operations of the Bank in the country concerned. Civil and human rights may become relevant factors in this context in case of a binding decision of the UN Security Council not to lend to a country for reasons of international peace and security; when international sanctions affect the economic prospects of a borrowing country; when armed conflicts affect the prospects of the loans, and when it can be demonstrated beyond doubt that civil and human rights violations have a negative impact on the effectiveness of the loan.

An alteration of the Articles of Agreement to include respect for civil and human rights as a precondition for loan disbursement requires approval by 85 percent of the voting shares and 60 percent of the members. The charter of the European Bank for Reconstruction and Development (EBRD) may function as an example for adjusting loan conditions in this respect (Council of Europe, 1995).

By the late 1980s the World Bank started to insist more systematically on non-economic dimensions of the functioning of governments by emphasizing the need of "good governance" in the context of structural and sectoral adjustment loans. The so-called "good governance" agenda aims particularly at adherence to the rules of law, accountability of government and transparency. Moreover, participation by local governments, NGOs and grassroot organizations have been emphasized only recently. Rather than making presumptions regarding the political form of government, the Bank focuses on the relationship between the quality and expertise of government and the effectiveness of policies.

Finally, it should be noted that the positions of the World Bank and of most developing countries in international capital markets have altered radically in recent years. The World Bank operates in highly competitive international capital markets and many developing countries nowadays

have access to several sources of capital including commercial bank loans. Major exceptions are African countries and highly indebted countries that have payments arrears to the IMF or are in serious conflict with the Fund or the Bank. The international creditworthiness of most Latin American countries, however, has improved considerably and their positions in international capital markets have been strengthened. Hence boycotts exclusively executed by the World Bank may have only limited effect on government politics.

CONCLUSION

The main focus of World Bank operations since 1980 has been on designing, executing and financing sound sectoral and overall macro-economic policies that contribute to an optimal use of resources and stimulate investment and growth. Two critical dimensions of adjustment policies have been distinguished in this chapter: introduction of neoliberal economic policy, the so-called "Washington agenda," and the establishment and enforcement of technocratic institutions, the politics of expertise.

Adjustment programs reflect the so-called market-friendly approach of the Bank: the main task of government is to improve the conditions in which markets function. Only in specific circumstances should governments engage in attempts to correct market failures by intervening in markets. In this chapter the point has been made that even if the role of government is restricted to this task, this will require complex and sophisticated types of expertise, management and technical capabilities, as well as sufficient autonomy.

This chapter has indicated at some length that the need for expertise and capabilities will increase tremendously if objectives related to poverty alleviation and protection of the environment, or – more ambitious even – sustainable development are added to traditional policy objectives such as stabilization and overall economic growth. In particular, the complexities involved in conceptualizing and operationalizing sustainability are staggering. Consequently, the "next generation" of structural adjustment programs that need to consolidate restructuring and address the challenges referred to above will require different and probably more complicated types of expertise and capabilities than previous generations of adjustment programs did.

The development of effective government institutions has been a major component of World Bank operations in Latin America. The technocratic leadership and the influence of technocratic units and institutions have

increased significantly in the domain of policy design and execution in the course of the 1980s and 1990s, partly in response to the needs of pursuing structural adjustment programs with the World Bank (Grindle, 1994: 300).

The establishment and strengthening of such technocratic institutions need not necessarily run counter to a democratization process but strong technocratic institutions operating in a weak democratic framework may hamper or even undermine democratic development. ECLAC has observed correctly that to serve the process of democratic development adequately, temptation to resort to technocratic and populist solutions must be eschewed (ECLAC, 1992: 24). This is not to say that technocratic insulation has no role to play. The point is that economic and social priorities must be set by democratic institutions, not by insulated technocrats, and that accountability of technocratic institutions must be guaranteed, as is stressed by Diamond and Plattner (1995) and Iglesias (1992: 145). Moreover, policies must be designed and executed in consultation with representatives of the communities and sectors that are involved.

Recent World Bank policy papers that focus on poverty alleviation and sustainability add a third critical dimension to the two dimensions distinguished above: strengthening of NGOs and civil society and improvement of co-operation with target groups to support the consolidation of programs. So far, the Bank has had only little successful experience in this area and a fundamental change in the Bank's approach may be required to become more successful in the future.

7 Economists in Party Politics: Chilean Democracy in the Era of the Markets

Verónica Montecinos

INTRODUCTION

In Latin America the call for economic and political "modernization" is heard everywhere.[1] Although the emergence of new paradigms has been slow and contentious, there seems to be agreement that sweeping reforms are inevitable. Some observers label the current climate as nothing short of a "cultural revolution" (Iglesias, 1994b: 494–5). Others fear that the present "revolution" is essentially the result of technocratic encroachments fostered by authoritarian regimes (Conaghan and Malloy, 1994) and not just a response to the exhaustion of previous development strategies.

In the course of the 1980s, the confluence of the debt crisis and democratic transitions put enormous pressure on political and social actors to introduce broad redefinitions in the development strategy. The countries of the region are trying to accommodate to a new, more competitive international economy. Their efforts are directed towards the liberalization of trade, the achievement of higher levels of efficiency, the promotion of exports, and the reduction of state interventionism. Throughout Latin America, the assumptions and institutional arrangements that had informed public policymaking since the 1930s have been questioned, and in various degrees rejected.

Economic reforms have been accompanied by adaptations to similarly massive changes in the ideological realm. While the declining appeal of traditional socialist proposals has prompted renewal of discourse and strategy within broad sectors of the political left, the new right has embarked on campaigns to replace more traditional forms of conservative politics.

The challenges to reform political and economic ideas and institutional structures have originated only partially in the new international context. For several decades Latin America has been coping with unsatisfactory economic and political performance. However, without the accelerated

internationalization of economic and political phenomena, probably the present and unprecedented degree of consensus about the need to replace state-led development and the need to combine political democracy and economic prosperity would not have taken place.

The argument in this chapter is that to understand the diffusion of new ideological forms and new policy proposals in contemporary Latin America, it is useful to trace the increasingly influential role played by economists within political and policy elites. In other analyses, the widespread adoption of market-centered reforms has been linked to the weakening of class and sectoral coalitions that in the past had supported expansionary, interventionist and populist policies (Kaufman and Stallings, 1991). However, a more complete picture of the evolution of the reform process emerges when the contributions of actors and ideas are given the attention and significance they merit.

THE ECONOMISTS AS HERALDS

In Latin America economists have been among the first and most active promoters of the convergence of previously incompatible ideological and policy paradigms. After four decades of intense intra- and inter-professional competition, the remarkable degree of consensus that economists have achieved among themselves has been accompanied by their quasi-monopolic control over economic and other policy decisions. And, finally, due to the internationalization of their training and professional labor market, economists are among the most cosmopolitan elites in the region.

Since the 1950s, when Latin American economists began their struggle to achieve legitimacy as a professional group, they have rapidly moved to vanguard positions among modernizing technocratic elites.[2] At that time, structuralist economists, following the leadership of the United Nations Economic Commission for Latin America, came to dominate the profession, advising political authorities on the rationalization of government decisions and the creation of planning agencies. They formulated innovative interpretations of development, lobbied for more resources in the international community and tried to shape an integrationist conscience among Latin American elites, creating regional agencies and coordinating common regional positions in international conferences (Dietz and Street, 1987; Kay, 1989; Wynia, 1972).

Their professional rivals, concentrated mostly in academic centers, advocated the adoption of conventional economic theory and methods, rejecting nationalist economic thinking, regional integration and planning.

They criticised the tradition of development economics for its lack of scientific rigor and professionalism. Monetarist theories of inflation were pitted against structuralist explanations. Conservative economists tried to promote free enterprise and foreign capital, engaging international support for the training of new generations of Latin American economists in the orthodoxy of neoclassical economics (Valdés, 1995).

By the mid-1970s, with the wave of military regimes, neoconservative economists were defending not only the benefits of markets but, more ambitiously, they were offering technical justifications to attempt the foundation of a new social and political order (Foxley, 1983; Vergara, 1985; Ramos, 1986). With high social costs and uneven economic performance, neoliberal market reforms changed the political economy of the region.

After the crisis of the 1980s, pressed, in part, by new rules in the international economy, by foreign creditors and multilateral agencies, and by the recognition of their own mistakes, economists on all sides appeared more open to pragmatism and dialogue. The competition among alternative professional projects started to subside in favor of a new economic consensus. Williamson has referred to this "Washington consensus" as the "common core of wisdom embraced by all serious economists" (1994b: 18). On the liberalization of trade, for example, or the privatization of state enterprises, controversies now entail mostly differences of degree, between gradualists and the proponents of rapid change. What had become clearly distinct professional subcultures among Latin American economists, with different theories, different schools and curricula, different tools and language, have now eroded into a more homogeneous outlook. Internal agreement at a time of high uncertainty has made the profession more powerful.[3]

In the past two decades, Latin American economists have successfully excluded other occupational groups from much of the policymaking arena and have consolidated their control over various sources of professional power. They enjoy broad access to state resources and bureaucratic influence. They have achieved cultural legitimation, as carriers of the skills and image that are necessary to operate in complex and rapidly changing environments. They also have the language, international exposure and contacts that are necessary to negotiate trade pacts and cooperate with regional partners, easing the access to the new world of economic diplomacy (Centeno, 1993; Markoff and Montecinos, 1993).

THE RISE OF CHILEAN ECONOMISTS

The scenario just described fits few countries better than Chile. While in the 1950s economists still constituted a small and marginal professional

group, from the mid-1960s onwards, they were controlling some key economic agencies. The structural reform programs of presidents Frei and Allende relied heavily on the advice and expertise of what had become by then a larger, heterogeneous and more prestigious community of professional economists. Under General Pinochet, economists came to control a growing number of policy areas. Shortly after the coup, the Chicago Boys were positioned at the heights of bureaucratic power, pioneering laissez-faire models for all sorts of structural reforms. They directed the dismantling of protectionist policies, forced drastic reductions in state employment and public expenditures, opened the economy to foreign trade and investment, privatized state enterprises and social services. Although the costs of their shock treatment were felt in bankruptcies, unemployment and deteriorating social security coverage, the economists' claims of ideological neutrality and their disregard for the demands of organized interests fit Pinochet's missionary discourse of order against politics. With the General's support, government economists deployed their zealous reformism and became central to the domestic and international legitimation of the military regime (Montecinos, 1988; Fontaine, 1988; P. Silva, 1991; Valdés, 1995).

The transition to democracy reinvigorated the economists' ascending trend, adding a new dimension to it: economists moved up to the leadership of political parties (Montecinos, 1993). Moreover, in the competition for the presidential office, the non-economists seem to be increasingly crowded out. In 1989, Pinochet appointed his Finance minister, Hernán Büchi, as presidential candidate to compete against Patricio Aylwin, a lawyer representing the *Concertación*, a center-left coalition. In 1993, there were several economists in the presidential race. In Renovación Nacional, the largest party on the right, two economists bid unsuccessfully for nomination as presidential candidates: Sebastián Piñera and Evelyn Matthei. Also, economist José Piñera, a Harvard graduate and former minister of Mining and Labor under Pinochet launched his candidacy as an independent. And so did economist Manfred Max-Neef, representing a new stream of eco-politics. Ricardo Lagos, the most prominent political figure on the left, a lawyer with a PhD in economics, disputed the presidential nomination with Eduardo Frei, the son of a former president, an engineer with a relatively recent political career.[4]

PARTIES AND ECONOMISTS IN THE TRANSITION PHASE

Chile was the last country in the region to undergo a transition to democracy.[5] Protracted by the repressive and personalistic nature of the military

regime and its ability to reverse the effects of a financial collapse and subsequent economic recession in the early 1980s, the transition process in Chile was the only one that did not occur in a context of economic crisis but instead in conditions of economic prosperity.[6]

In the early 1980s, high unemployment, a sharp deterioration of living standards and a decade of dictatorship prompted the first eruption of spontaneous mass mobilizations calling for the end of the regime. However, important divisions within the democratic opposition prevented the channeling of popular protests into a coherent and effective strategy to alter the transition timetable established in the 1980 constitution (a plebiscite in 1988 and presidential elections in 1989) (Oppenheim, 1993).

The unsuccessful efforts to unite the various opposition groups (the National Accord in 1985, the Assembly of Civility in 1986) reflected not only the resilience of the regime but the damaging impact that the ideological escalation of the pre-coup period had upon the highly competitive and polarized Chilean party system.

For several decades, political parties had served important instrumental and cultural functions in the country's political life. Parties had developed into relatively stable and disciplined organizations, determined the selection of candidates in electoral contests, shaped the conflicts and compromises over policy issues and enjoyed broad acceptance as vehicles of interest representation. For many, political parties served as a source of identity, group solidarity and social mobility. Indeed, although Chile had one of the most institutionalized party systems in the region (Mainwaring and Scully, 1995), its fragility was exposed when maximalist ideological rhetorics and new forms of political conflict made centrifugal tendencies increasingly unmanageable (Valenzuela, 1978).

After the military coup, as a full-blown anti-politics campaign was launched, economists acquired practical and symbolic importance in the stabilization of the new regime. The Chicago Boys led a vast rationalization and technocratization of government, arguing that the use of scientific methods should replace the previous irrational and obsolete models of decisionmaking. The economists' methods, language, myths, and their ideology of rationality became institutionalized conventions. Decades of policy errors and stifling bureaucratic centralism were blamed on the excesses of clientelistic democracy. The rituals and institutions of party politics were disdained as corrupt, divisive and inefficient. Politicians suffered repression and exile; in the name of modernity and patriotism, their existence as a legitimate profession was discontinued (Montecinos, forthcoming).

In 1977 political parties were dissolved by decree and were not allowed to operate again until 1987, when citizens registered for the plebiscite

scheduled for the following year. At that time, trends towards economic recovery were already under way due to rectifications in government policies and financial support from multilateral agencies (Meller, 1990).

For many years parties retrenched to a politics of *cúpulas* because leaders and militants were persecuted, elections were suspended, public debate was banned, and the channels of communication with the rank and file were cut off. To survive in conditions of clandestinity and in a rapidly changing institutional, social and economic environment, parties made a number of strategic adjustments. The party leaderships – only loosely coupled with the party apparatus – had to strengthen their international linkages, revise their attachment to traditional constituencies, redesign their coalition strategies and restructure the party organization.

Although the party system that reemerged in the transition phase continued to be divided among right, center and left, internal struggles within parties prompted the choice of new strategic objectives and a series of internal transformations (Garretón, 1990; Scully, 1995). Recent analyses have paid more attention to electoral behavior and to the party system than to the internal politics of parties. More research is needed to understand how the need to cope with a new situation compelled the various parties to modify their organizational mode of operation, their ideological messages and programs.[7]

The support that parties had traditionally obtained from organized industrial and state workers was weakened by the shrinking of the public sector and the deindustrialization policies followed by the military government. By the early 1980s, the industrial working class was about one third of its size ten years earlier (see Martínez and Tironi, 1985). Exile played an important part in refining the sensitivity of party intellectuals to the decay of socialist systems, the crises of Marxism, eurocommunism and the conservative revival in advanced capitalism (Arrate, 1988; Politzer, 1990). The Socialist party remained split for almost a decade and, eventually, the historic Socialist-Communist alliance was dismissed as important segments of the Socialist party renounced Marxism and the Communist party took on an insurrectionary line (Walker, 1990; Borzutzky and Vacs, 1993). The Christian Democrats pondered about their own contribution to the collapse of democracy and shifted from a strategy of hegemonic domination to one of coalition (Scully, 1992).

For more than a decade, party activities had to be disguised under the umbrella of non-political organizations. Politicians spoke under the pretext of religious or academic debates. In a context in which power was no longer measured in votes or access to state resources, many activists were gradually displaced by a new type of leader, more autonomous from party

identity, with access to international donors, better placed to establish institutional contacts with academic and other non-governmental organizations.

Puryear (1994) carefully details the conditions that allowed intellectuals to play a prominent and distinctive role in the Chilean transition. He shows that social science professionals with distinguished academic credentials became involved in the politics of redemocratization not only in response to the crisis of parties, for at the time of the coup, Chile had already built – with state and international support – a strong and politically active social science community. The country had a tradition of "thinking politics," in which intellectual and political elites intermingled more frequently and intensely than in any other country in the region. However, while intellectuals in the past had been involved in political circles, their outlook and contribution then was different from the technocratic and compromising role they played during the transition phase.

Opposition intellectuals were induced to serious self-criticism by the experience of democratic breakdown, for they saw their dogmatic quest for ideological purity as having reinforced polarization and weakened democracy.[8]

The prohibition of party politics offered social science professionals a chance for reshaping themselves as well as their influence on political action. As the social science community was forced to compete for foreign resources and adapted to the rules of international scholarship, politicians appeared trapped in a discourse of recrimination and personalism, "too provincial," inept, without initiative. Analysts emphasized the need to "rationalize the political debate" to prevent a new escalation of confrontational rhetoric. The "modernization" of political parties was much discussed. Parties had to address the concrete demands of society with less ideological formulations, adopting a stronger scientific and technical capacity (Garretón, 1985: 215).

The number of private research institutes grew, providing refuge for opposition leaders who remained in the country and for those returning from exile. Over time, the functions of these centers expanded from the conduct of empirical research on the changing nature of Chile's political economy[9] to more openly political tasks, including the convocation of rival politicians to debates about programs for a future democratic government and analyses of the experience of democratic transition in other countries.

The politics of think tanks fostered a renewed credibility in the contribution that their experts (many of them with graduate training in foreign universities) could have as a source of innovative ideas and as consensus-builders. Think tank politics also favored the emergence of a more

cosmopolitan political elite and a more policy-oriented political agenda. New styles of dialogue and cooperation within a previously segmented and distrusting political class have been traced to the intellectualization, or the technocratization of politics during this period (P. Silva, 1991; Puryear, 1994).

Although political theorists figured prominently in the elaboration of revisionist analyses of ideologies and political strategies, economists achieved the most remarkable enlargement of political visibility. Opposition economists contested the Chicago Boys' claims to professional superiority and the widespread belief that economic policies no longer responded to politicised criteria but were made in accordance to high technical standards. They did so, first, by producing sophisticated technical criticisms of the costs and mistakes of the government policies, at a time when detractions of the regime were forbidden. Later, by publicising the renewal of their own thinking and by accepting that market reforms were irreversible, opposition economists disputed the Chicago Boys' charge that the democratic opposition would be unable to sustain the success of economic reforms.[10]

In the campaign to regain democracy and modernize politics, parties imported the economists' externally validated credentials as a sign of renewal. While much of the party structures remained clandestine, heavily atomized and attached to old conventions, party economists operated within international networks, and from the relative autonomy of research institutes they were able to build their own power bases. Opposition economists began writing in the press, cooperating across party boundaries, generating politically relevant information, organizing exchanges with social organizations, business and labor leaders.[11] The economists' technical expertise only partially explains their rise to political roles. The economists' image of moderation, flexibility and pragmatism acquired a decisive symbolic value. Economists were called on to reduce the kind of anxiety that modern politicians fear most: the uncertainty stemming from unpredictable and rapidly changing economic phenomena (Markoff and Montecinos, 1993). The parties' display of eminent economists became a source of legitimacy.

The 1988 plebiscite – in which a center-left coalition won with 54.7 percent of the votes – was no ordinary electoral contest, for citizens were choosing between two competing models of governance. The presence of economists helped to convince the public – already accustomed to legitimation strategies centered on consumerism (P. Silva, 1995) – that democracy would not endanger order and prosperity. The challenge of reducing poverty (which affected over 40 percent of the population in the late

1980s) would be faced without threatening macroeconomic stability, investors' confidence or international competitiveness. Economists in parties were presented as a recipe against old forms of populism, as an indication that parties were concerned with rational principles of administration and willing to comply with dominant normative conventions. Economists contributed to the breakdown of traditional party barriers.[12] That opposition parties had economists with access to the circles of international finance could be interpreted as a sign of trustworthiness.

DEMOCRATIC POLITICS IN THE ERA OF MARKETS

In 1989, Aylwin represented a symbol of reconciliation, a new style of supra-party politics. He campaigned with an eye on the troubled experiences of the other new democracies in the region, where inflation and policy instability had been pervasive. The *Concertación* program departed from populist promises and the make-up of its economic team reinforced cooperation across party lines.

Economic performance in the 1990s has been positive. The economy has been growing at an annual average of 6 percent; the rates of inflation and unemployment are low; savings, investment and foreign reserves have risen and Chilean capitalists are venturing to invest abroad. Chile's aggressive campaign to promote exports and its active efforts in economic diplomacy, have enhanced the country's presence in international trade agreements, including APEC, NAFTA, MERCOSUR and a recently signed association agreement with the European Union, the first of its kind in Latin America. There is a general confidence that the government policies are admired by the mainstream of the world's economic wisdom.

To a significant extent, economists are credited with this success. Not only have economists (with doctorate degrees in prestigious foreign universities) continued to be appointed in several ministerial positions,[13] but their presence at the top of party leadership has expanded on the right, center and left.[14]

Under the *Concertación* first government (1990–4), the economic and political strategies were carefully coordinated. There was a clearly stated commitment to preserve a pattern of export growth and macroeconomic equilibria. The design of social policies was seen as complementary to and integrated with economic policies (Raczynski, 1994). The pledge of reducing poverty and improving income distribution would be realized gradually, supported by the harmonization of social demands, tax reforms and increased productivity. The government encouraged social pacts between

labor and entrepreneurial organizations and negotiated important policy measures with opposition forces. The administration counted on a large team of qualified people who had worked together for several years.

Finance Minister Foxley was central in designing the composition of the economic team. In a series of publications, he had outlined a broad vision of the need to generate national support for a viable and consensual project that would ensure durable development and governability. Foxley insisted on reducing sources of uncertainty during the transition by clarifying aspects of the *Concertación* program that could result in future ambiguity and conflicts within the governing coalition.[15] Economist Carlos Ominami, Economy Minister under Aylwin, acted as Foxley's counterpart within the Socialist bloc. They both negotiated the final formulation of the government program.

Economist Edgardo Boeninger, a former director of CED, has been credited with "engineering" the high level of political and policy consensus that characterized the Aylwin administration. From his position as Minister Secretary of the Presidency, he coordinated what came to be known as "*partido transversal*," a large network of technical personnel within the state, whose political identities were subordinated to the preservation of policy cohesion and stability.

The search for consensus within the government found a friendly reception among some opposition economists, as illustrated by the negotiations that led to the rapid passage of tax reforms in 1990. Although at UDI – the second major party on the right – neoliberal economists defended Pinochet's heritage, at Renovación Nacional, the young technocrats supported the tax reform as part of their drive to give the party an image of modernity and democratic credibility (Boylan, 1997). This created tensions with the old party notables, for whom the interests of traditional constituencies were paramount. "I must confess that there are small sectors in Renovación Nacional that continue in the logic of the 20th century, the logic of confrontation, without understanding the dynamics of the new times. With them I do not feel comfortable," Senator Sebastián Piñera said in an interview.[16]

Similar tensions emerged in parties of the center and the left. The novelty of a center-left coalition trying to preserve the gains of a buoyant economy imposed an "elitist political style" (Petras and Leiva, 1994: 121). During these first years, the parties had yet to develop adequate channels of communication with the rank and file and had not gained enough strength to stake out challenges to the well-consolidated government team. It was generally acknowledged that to ensure a smooth transition, leaders at the top required strategic flexibility and some demands could not be

expressed. Paradoxically, the rebuilding of democracy constrained party activists to play a relatively secondary role.

The autonomy with which government and party technocrats behaved was tolerated but resented. The economists' defense of fiscal austerity in a context of widespread poverty and unsatisfied social demands and the co-optation of labor organizations to participate in pacts that limited wage increases were seen as betrayal of the redistributive and combative traditions of the past. The emphasis on pragmatic moderation and policy consensus, and the conduct of direct negotiations between the executive and Congress, were perceived as deliberate efforts to curtail the participation of parties in the decisionmaking process. The difficult relationship between the government and the parties has worsened since President Frei took office in 1994. On occasions, there have been warnings that the stability of the party coalition may be in danger and that the transition is "frozen."

In 1995, as public opinion polls pointed to a growing disaffection with politics and politicians, the parties of the *Concertación* launched a series of meetings to debate issues related to their internal operation. Increasingly open conflicts have developed about the parties' future course as political organizations. Among Socialists and Christian Democrats, coalitions of the more traditional leaders, whose power bases eroded during the military regime, are disputing the influence of the more pragmatic, more technocratic leaders, in which economists are heavily represented.

Referring to these conflicts, a former Economy minister under Aylwin said: "Economists transmit the new international trends to the parties. Their degree of convergence is so high that it is difficult to tell who is from what party. But as traditional politicians recover influence, many economists exit party militancy. It is not attractive for them to engage in a crusade against those leaders."[17]

However, some of the economists who were recruited to the top of party organizations experienced a more complete convergence to their new political role. Their careers as party leaders were atypical as compared with the careers followed by the parties' old guard. Their expertise gave them advantages over the "*chuchoqueros*" (the less analytical but talkative politicians). "Demagogues are discredited now that leaders must have other skills to operate politically in more complex fields... and now that the market has extended to areas that we did not imagine before," said Senator Sergio Bitar, a Socialist economist.[18] Christian Democrat Congressman Gutemberg Martínez, concurred that the value of the market, efficiency and private initiative have been more fully integrated and that technical elements are more appreciated. The "principle of efficiency as a political value has been accepted."[19]

To meet the challenge of market efficiency and the trend towards a politics of issues (health care, divorce, abortion, gender discrimination, environment), the renovated factions within the parties of the *Concertación* want to enact organizational reforms, modify the parties' routines and decisionmaking. Some go as far as suggesting changes in party symbols.[20] In their view, the parties are backward entities, burdened with cultural and institutional legacies that impede their adaptation to the new times. Consider this quote from a recent speech by Socialist Senator Ominami, an economist with a doctorate degree:

> Political parties, no matter how long and heroic their trajectory are justified only as instruments of causes that transcend them... I think the party is not up to the circumstances...parties must display a great capacity to transform themselves...party activity has declined...The firm, the market, internationalization or globalization are concepts that enter with great difficulty into our traditional thinking...with an adequate regulation and equitable distribution of income, the market is more democratic and less arbitrary than systems of central planning ... We must, consequently, find in outward development, globalization and a private economy the strength to get a new impulse. We need a substantive ideological redefinition...an organic restructuring and a symbolic renewal...the emphasis must be on civil society, in the capacity of people to assume their problems.[21]

Transforming the inertia of party dynamics as well as the terms of the intellectual debate and the party discourse has proven a difficult task, for parties as organizations tend to be conservative.[22] The coalitions formed by pragmatists and innovators have encountered adverse reactions among those who advocate the interests of selective constituencies, who want to defend traditional principles and organize resistance against "technocratic penetration."

Senator Ricardo Hormazábal, who leads the most leftist faction of the Christian Democratic party and in 1994 lost the party presidency to Alejandro Foxley, complained that the nature of political life had shifted from ideological debate to the administration of power. In his view, that shift leads to a weakening of great historical projects, a loss of values, and a higher risk of corruption.[23] He also expressed criticism that his party had lost votes in the 1993 election and that the party is requiring less commitment on the part of militants, whose doctrinal socialization is being neglected.[24]

Critics question the use of "neoliberal concepts" by leaders of the *Concertación*. They warn of the danger of defining modernity as the

search for efficiency. Conforming to economicism, they say, neglects principles and ideologies. Moreover, non-representative groups can easily capture the party. In their view, some of the economist-politicians tend to behave as "free-riders," managing their political campaigns not around the party resources but with ousiders, as if they were enterprises.[25] A Christian Democrat said: "there is little participation within the party. Only those who have knowledge about specific areas are invited." A sociologist in the Christian Democratic party added: "The economists have been successful in imposing the principle of macroeconomic equilibria by presenting it as an overriding rule for survival. That consensus was not subject to discussion and people did not speak up because they did not want to be accused of populism."[26]

Others mentioned the communication gap between party technocrats, who try to explain the country's economic success, and the rank and file, who remain poor and expect from their leaders a more "*asistencialista*" style. An interviewee paraphrased what people at the base of the party say: "We are in power, they say we are doing well, but they have not given us anything." Parties are hiring non-militants to do bureaucratic tasks, because "party loyalty is no longer rewarded with jobs," perhaps a sign of the growing professionalization of party organizations that, according to Panebianco, is a general trend in contemporary political parties (1988: 230).

CONCLUSION

For the past four decades, every technocratic project in Chile has been justified in the name of modernization. Since the 1960s, governments with different ideologies and reform agendas have all promoted the gradual ascent of economists to top positions in the policymaking apparatus. Economists achieved special prominence under the military regime, when the Chicago Boys' marketization measures consolidated the influence of economic experts into new policy domains and changed the course of the country's development trajectory. In the phase of democratic transition, the modernization theme has been used perhaps more frequently than ever, as economists-turned-politicians became central actors in moderating conflicts to enhance governability.

Will the technocratic mode continue to shape the tone and substance of Chilean politics? The challenges of market competition and the preservation of an impressive macroeconomic performance are pressing for the abandonment of conventional class-based political struggle. The economic achievements of the Chilean model, which continue to receive worldwide

praise, are a powerful source of legitimacy for those who advocate changes in political discourse and the renewal of party organizations.

Yet, as a number of vexatious isues remain unresolved, there seems to be a growing urgency for clarifying the meanings of modernization and democracy. Almost a third of the population still lives in poverty, hundreds of cases of human rights abuses have yet to be sanctioned and the present constitution allows "authoritarian enclaves" to persist.[27] As reported in this work, many – including the "technopols" – seem eager to rescue politics from the dullness of pragmatism, but the construction of alternative, more democratic political institutions seems to be only beginning.

Notes

1. The author thanks CEDLA for a generous invitation to spend part of the Summer of 1995 in Amsterdam as a visiting researcher. This paper was written during my stay in The Netherlands.
2. In general, professions must ensure that their efforts to monopolize the provision of technical competence are perceived as necessary, beneficial, and therefore legitimate (Abbott, 1988). With that aim, professional groups use strategies to convince relevant audiences (the state, powerful elites and the public) that their knowledge, diagnoses and solutions to problems are not only relevant but superior to the ideas and expertise of others. To justify their claims, professions develop ideologies, construct sets of beliefs, values, norms, create specialized languages, myths, organizational structures, schools, journals, credentials, networks of professional and informal relations. On the professionalization of economics in Latin America, see Montecinos (forthcoming-a).
3. The preachings of "money doctors," Drake (1994b) has shown, were central in the diffusion of free-market orthodoxy in the 1980s. But, more crucially, he argues, their expertise and reputation served as a political device to justify austerity, mediate negotiations between economic elites, obtain leniency from foreign creditors and balance the power of domestic and foreign actors.
4. The most likely contestants for the presidential elections of 1999 appear to be Ricardo Lagos and Alejandro Foxley, who went from directing CIEPLAN, to head the Ministry of Finance, and is now president of the Christian Democratic party. On the right, the economist Joaquín Lavín has been mentioned as a likely presidential candidate for 1999.
5. Analyses of the Chilean military regime and the democratic transition can be found in Valenzuela and Valenzuela (1986); Drake and Jaksić (1995); Constable and Valenzuela (1991); and Garretón (1989).
6. For an assessment of economic reforms in Chile under Pinochet, see Bosworth *et al.* (1994).
7. The trauma of the coup, a new socio-economic reality, and an extraordinary exposure to international events led Chilean parties to change, although, of course, not all parties moved in the same direction or with the same celerity.

As Kitschelt (1994) has shown in his analysis of recent changes in European social democracy, it is important to understand that both dimensions, the systemic interaction between parties and the organizational dynamics of intraparty politics are linked and mutually reinforce each other.

8. Puryear quotes from two leading intellectuals writing in the 1980s. Tomás Moulian, a noted sociologist on the left, says: "We fed on a religious vision of politics, that led us to see Marxism as 'total knowledge'." Alejandro Foxley, a leading Christian Democrat, writes: "The intellectual became, often, a reaffirmer of ideologies and a sharpener of ideological conflicts. Moderation was always interpreted in Chile as a sign of weakness" (Puryear, 1994: 20).
9. Including a succession of booms and busts, rapid economic liberalization and privatization, changes in class structure, the reduction of social protection and the impoverishment of large segments of the population.
10. Opposition economists reassessed the excessive confidence in the entrepreneurial capacity of the state and the traditional enemity to private initiative within groups of the political center and the left. For a critical analysis of the intellectual transformation of opposition economists see Petras and Leiva (1994). A more general treatment of the evolution of economic thinking in Latin America can be found in the works of Sunkel (1993) and Muñoz (1994).
11. CIEPLAN, CED and VECTOR were among the most influential of these institutes. For details of their activities, see Puryear (1994).
12. In 1987, Ricardo Lagos led a group of individuals of diverse ideological tendencies to form an "instrumental party" to campaign for the 'no'-option in the 1988 plebiscite. In his speech at the ceremony inaugurating the PARTIDO POR LA DEMOCRACIA, the new party, Lagos said: "This party has no ideological frontiers...there is no other exigency but the respect for the democratic system...Today, above the interests of socialists, liberals, radicals, christian democrats or communists are the interests of Chile; and because the identity of political parties in Chile is strong, nobody loses his or her own identity... The difficulties to organize ourselves as the Partido por la Democracia simply express the rich diversity of Chilean reality. See *Qué es el PPD?* (1989: 17–21).
13. President Aylwin appointed economists to head the ministries of Finance, Economy, Public Works, Education, Planning, Labor and the Secretary of the Presidency. President Frei's cabinet includes economists in the areas of Finance, Economy, Public Works, Education and Labor. It was much commented that both Foxley and Lagos had bid unsuccessfully for the ministry of Foreign Affairs.
14. In the pre-coup period, only one economist was a member of Congress. Since 1989, the number of economists in the legislature has increased to 16 in the 1989 elections and to 13 in the 1993 elections.
15. For a detailed analysis of Foxley's career and intellectual trajectory, see Giraldo (1997).
16. Three months after becoming a member of Renovación Nacional, Sebastián Piñera, who holds a Ph.D. in economics from Harvard University, joined the Political Commission of the party. Referring to tensions within the party, in that same interview he says: "The party has entered a period of maturity. The party congress does no longer belong to anybody, it belongs to reflection, reason and intelligence." *Hoy* No. 785, 3–9 August, 1992: 19.
17. Interview with Jorge Marshall, currently vice-president of the Central Bank, June 19, 1995. This and other interviews cited in this work were conducted over the telephone.
18. Interview June 13, 1995.
19. Interview, June 21, 1995. Also, internal transformations are interpreted as a way of accommodating the party organization to the new administrative structure of the state. For example, in 1995, the Christian Democratic party changed its statutes to improve its presence at the municipal level.
20. In what appears as the boldest proposal yet for a strategic restructuring of the party system, Carlos Altamirano, a former leader of the left wing of the Socialist party who shifted towards moderation during his years of exile, proposed the need to "rethink all our categories" and declared himself in favor of the future strategic fusion of the PPD, the Socialist and the Christian Democratic parties, the three main partners of the Concertación (*El Mercurio*, May 21, 1995: D2–4).
21. Carlos Ominami, "Un socialismo renovado: Para reconstruir una gran fuerza de izquierda." Preliminary version, June 1995.
22. For a theoretical analysis of organizational change in political parties, see Panebianco (1988: 243–250).
23. The link between the "pragmatization" of political forces and the issue of corruption was mentioned in several of my interviews. Congressman Ignacio Balbontín explained that to "prevent the emergence of corruption," the Christian Democratic party has made changes to make the party more open, with a more fluid communication with society (Interview, June 13, 1995). The problem of corruption was debated at a seminar organized in Santiago by the Fundación Eduardo Frei in 1993. The presentations were published in book form with the title *La democracia combate la corrupción.*
24. Interview, June 19, 1995.
25. In May of 1995, a vice-president of the Christian Democratic party caused public controversy with his criticism that Alejandro Foxley, the party president, was making decisions with a team that was parallel to party leadership. (*El Mercurio*, May 25, 1995: C6).
26. Interviews with members of the Socialist and the Christian Democratic parties, June 8 and June 20, 1995.
27. The latter manifested themselves clearly in a 1995 crisis involving the military's defiance of a court order that condemned a retired army general accused of human rights violations. In a newspaper interview, Socialist Congressman José Antonio Viera-Gallo expressed desolation as he analyzed how that incident exposed the limitations of the government and the relative autonomy of the armed forces: "Many contradictions that were hidden have now emerged," he said, "the Chilean elites...wanted to see only the positive aspects...and suddenly, the real Chile appears, with all its pains, its injustices and its contradictions...I do not know if we have done the transition in the correct way." *El Mercurio*, International Edition, June 15–21, 1995, p. 6.

8 Stars of the Crisis: The Ascent of Economists in Peruvian Public Life

Catherine M. Conaghan

INTRODUCTION

On Sunday morning in Lima, Peruvian television viewers can tune in to *Promoviendo*, a fast-paced talk show filled with practical advice on how to start your own micro-business. The energetic fortysomething host is Guido Pennano, an economist and former Minister of Industry. Pennano's previous television credits include regular appearances as a guest commentator on the news program, *En persona*. Prior to his high-profile political and television career, Pennano had already secured his place in elite circles as an "insider." He was a co-founder of *Medio de cambio*, a respected, upscale economics magazine that gave birth to other ventures such as *Medio de marketing*, a market research publication. He held a professorial post in economics at the Universidad del Pacífico, where he had done his undergraduate work prior to earning a master's degree in economics from the University of Pittsburgh.

Pennano's frenetic career is like many others of his generation who are considered to be among Peru's elite economists. The career trajectory of most of Peru's noted economists intertwine stints of government service with academics and consulting work. Projecting a public presence – through a selective use of the mass media – has also become a crucial component in the path to career advancement and political influence.

As in the rest of Latin America, the ascent of economists in public life took place in Peru as the economic crisis deepened in the 1980s. As the debt crisis, hyper-inflation, and recession took hold throughout Latin America, economists were thrust onto the political centerstage as cabinet ministers or as experts serving up criticisms of the latest economic package and exchange rate predictions on the nightly news. Political ambition was concomitant with the new notoriety that economists enjoyed. No longer did economists just covet ministerial posts, they dreamed of the

presidency. Like their counterparts across Latin America, Peruvian economists have thrown themselves into electoral politics with gusto. In the 1995 presidential election, Pennano served both as campaign director and as second vice-presidential candidate of Javier Pérez de Cuéllar's Unión por el Perú (UPP). Graciela Fernández Baca, an economist and editor of the economics magazine *Cuanto*, was also featured on the UPP ticket, as the first vice-president and as a congressional candidate. Another economist, Alejandro Toledo, attracted considerable media attention in his bid for the presidency as he flaunted his academic credentials from Stanford and Harvard. Speculation as to the presidential race in 2000 is already underway; Toledo and Pennano are expected to resurface as possible contenders – perhaps in the company of other *economistas-candidatos*.

The new-found political celebrity of economists reflects a variety of recent political changes in the Latin American landscape, not the least of which is the pervasive power of the mass media. By virtue of their association (either as policymakers or as critics) with the most salient issue of the time – the economic crisis – economists enjoyed new levels of media exposure. Economists were cast by the media as the latest "talking heads" – the professionals with expertise to help the public cope during the turbulent economic times of the late 1980s. That exposure gave economists new openings to influence the policy process and to build their own political careers.

Yet, the phenomenon that John Markoff and Verónica Montecinos have referred to as "ubiquitous rise of economists" in public life still cannot be regarded as a uniform process, or one that necessarily entailed a substantial shift of political power to the economics profession *per se* (Markoff and Montecinos, 1993). The contours of this seemingly general process of the technocratization of politics in Latin America differ significantly from country to country. While economists acquired a new political visibility and social presence throughout Latin America in the 1980s and 1990s, their impact on political institutions, the conduct of public policy and the development of regimes varied widely.

This essay examines the emergence of economists as political actors in Peru and the factors that have shaped their relationships to political power in the 1980s and 1990s.[1] In contrast to Chile where economists are considered to have played pivotal roles not only in shaping public policy but paving the way toward regime transition in 1990 (Montecinos, 1988; P. Silva, 1991; Valdés, 1995), the political influence of Peruvian economists as a professional group has been less pronounced and continuous. As I will argue, important differences in the internal development of the professional communities and the ways in which economists related to

institutional life help account for the dramatic variations in the political roles and the relative power acquired by economists in the two cases.

Moreover, this study of the Peruvian case also provides ample evidence of the arguments made by Robert Bates and other scholars that locate the source of the political power of technocrats in their concrete relationships with politicians (Bates and Krueger, 1993). As Bates put it, "If technocrats possess political power, it is generally because it is given to them by politicians. An understanding of the behavior of politicians is therefore central to any explanation of the role of technocrats." (Bates, 1993: 30). In fact, it is the recognition of the superior powers wielded by politicians that frequently drives technocrats to seek a direct exercise of power by becoming candidates themselves.

To understand how Peruvian economists relationships to the political process and policymaking have evolved, it is important to begin with some appreciation of the history and the sociology of the profession itself and how peculiarities in professional development shaped the entree of economists into politics. The following analysis draws extensively on two primary sources: 1) biographical data on 93 Peruvian economists who have been identified as the "top" people[2] within the profession; 2) in-depth interviews with 30 of Peru's leading economists that focused on their career patterns, views of the profession, and their own political involvement.[3]

ECONOMICS: THE NEW PROFESSION

That economists were not high-profile political actors in Peru prior to the 1980s is not especially suprising, given the relative "newness" of the profession itself within Peru. Higher education in modern economics only began to develop in earnest in the 1960s and the first generation of professional specialists were just coming of age in the 1970s (Verdera, 1994).

Peru's largest public university, Universidad Nacional de San Marcos, created a department of economics and commercial sciences in 1928, but the substance of the program focused on business and accounting skills.[4] An initial breakthrough in professional development came in 1965 when the Universidad Nacional de Ingeniería created a School of Applied Economics, conferring degrees to its graduates as *ingenieros-economistas*. The original curriculum of this program was diverse, including courses not only in economics and mathematics but also chemistry, sociology, drawing, and law (de las Casas Grieve, 1988: 47–95). The National Agrarian University also began producing "agrarian engineers," some of whom pursued specializations in agrarian economics.

The most notable sites in the early development of the economics profession, however, were private universities – namely, the Universidad del Pacífico and the Universidad Católica. After much resistance from the traditional commerce faculty, the Catholic University created its new department of economics within the social science division in 1969. The economics program at the Pacífico dates from the founding of the university in the 1960s. The agenda that underlaid the founding of the Pacífico itself was decidedly conservative. Big business supported the creation of the Jesuit-run university as an alternative to hyper-politicized public universities.[5] Yet, the economics department of the 1970s and early 1980s was far from orthodox in terms of the composition of its faculty and its curriculum. Both the Católica and the Pacífico reflected the eclectic intellectual currents at play in Latin American economics at the time; Keynesianism, Marxism, CEPAL structuralism, and neoclassical theory were all part of the curricular mix.[6] The intellectual atmosphere at both of these Catholic institutions was also affected by the diffusion of ideas from liberation theology.

With economics still in its initial phase of development, sociology stood as the reigning discipline of Peruvian social sciences in the 1970s and provided the intellectual foundations for the policy experimentation under the military government of General Juan Velasco Alvarado. The onset of Peru's prolonged economic crisis in 1976 ended the radical reform phase of the military government and policymakers were forced to reorient policy under heavy pressure from the International Monetary Fund and international creditors.

By the 1980s, economics departments at Pacífico and the Católica had emerged as the centers generating the "elite" segment of the new profession – i.e., the most prestigious and sought-after economists. As seen in Table 8.1, among the 93 individuals identified as the "top" economists in Peru, more than half hold undergraduate degrees from the Pacífico and the Católica. While the Pacífico and the Católica were producing the first corps of elites within the profession, the "massification" of the profession was also underway. There was an explosive growth in undergraduate enrolments in economics in the 1970s. Between 1970 and 1980, the number of students enrolled in economics program increased from 6,626 to 22,046. By 1980, economics was the second most popular undergraduate major in Peruvian universities (Cornejo Ramírez, 1993).

Not suprisingly, post-graduate study abroad also became a crucial component of the professional socialization within the elite segment of the profession. As seen in Table 8.2, of the 93 top economists identified, 77 report training beyond the undergraduate degree. Of those 77, 49 did at

Table 8.1 Undergraduate institutions of "top" economists

Institution	Number	(Percentage)
U. Católica	24	(25.8)
U. Pacífico	22	(23.6)
UNI	22	(10.7)
San Marcos	7	(7.5)
U. Agraria	4	(4.3)
Other (Lima)	7	(7.5)
Provincial Us	5	(5.3)
Foreign undergrad.	11	(11.8)
No information	3	(3.2)
Total	93	

Table 8.2 Location of graduate institutions of "top" economists

Location of institution(s)	Number	(Percentage)
U.S. only	39	(50.6)
Europe only	14	(18.1)
U.S. and Europe	4	(5.1)
U.S. and Latin America	6	(7.7)
Europe and Latin America	2	(2.5)
Latin America only	7	(9.0)
Canada only	1	(1.2)
Peru only	4	(5.1)
Total	77	

least some of their post graduate training in the United States, with 16 reporting some combination of graduate training in Europe and Latin America. Only 11 reported that their graduate work had been done exclusively in Peru or within Latin America. The greater availability of scholarships for study in the United States partially explains this preference for American over European graduate training. Among the economists interviewed directly for this study, virtually all of them identified foreign graduate work as crucial for career advancement; many also concurred on the desirability of earning an undergraduate degree in the Pacífico or the Católica.

While study abroad quickly became the norm for the vast majority of elite economists, no single foreign institution emerged as a mecca for Peruvian scholars. There was no single exchange program between

Peruvian schools and U.S. universities that left a definitive dogmatic stamp on the development of the economics profession in Peru. Students undertook their graduate education in a wide variety of institutions. Boston University, New School for Social Research, Iowa State, Rochester, University of Pittsburgh, Wisconsin, and Brown are among the wide range of U.S. institutions in which Peruvian economists matriculated.

In contrast to Peru, the economics profession in Chile developed earlier. Important faculties were already in place in Santiago at the Catholic University and University of Chile in the 1950s. In 1955, the Catholic University began what was to become a formative exchange program with the economics department of the University of Chicago. José Piñera described the impact of the program on the growing professional networks in Chile:

> ...for more than a decade beginning in the 1950s, some four or five of the best economics students in each class at the Universidad Católica in Santiago would go on to graduate study in the US, most of them at the University of Chicago. There they absorbed the fundamental principles of classical economics. When they came back, these students associated with scholars who had made the journey before them and taught other talented individuals. As a result, by the mid-1970s, a core group of some fifty to one hundred of Chile's best economists were thoroughly conversant with and convinced of the need to adopt a free-market approach (Piñera, 1994: 227).

In contrast to Chile, coherent corps had still not formed in Peru in the 1970s and 1980s. The heterogeneity in the training of Peruvian economists had also been reinforced by study outside of the professional discipline. A significant segment of "top" economists also opted out of their discipline for the purposes of graduate study. Of the 77 who studied abroad, 23 reported graduate studies in disciplines other than economics – politics, business, public administration, law. In contrast with older professions such as medicine and law, the new economics profession in Peru has not achieved a clear-cut closure – i.e., the definition of an unquestioned set of educational criteria that define the standards for inclusion or exclusion from the ranks.[7] The looseness in the definition of who is (or who may claim) to be an economist was evident in the interview responses of economists on the question of which economists had been most influential in public life. Individuals not formally trained as economists but who had important impact on policymaking – Manuel Moyera, Felipe Ortiz de Zevallos, and Daniel Carbonetto in the 1980s – were named routinely as among the most influential "economists," even though interviewees recognized that these individuals were not economists.[8]

Thus, the formative decades in the development of Peru's economics profession were marked by eclecticism and diversity, even in the training of its elite corps. There was, as yet, no marked convergence around any core of economic beliefs in a style reminiscent of Chile's encounter between Catholic University and the Chicago school. In their own evaluations of the problems of the profession, a number of economists pointed to an absence of an agreement on fundamentals within the discipline. As one noted, there was no single shared language or binding set of basic assumptions that located professionals on a common ground in the 1980s.

Moreover, the profession did not develop any institutional forum that functioned as a common ground for interchanges among these diversely-trained elite. The Colegio de Economistas acted more like an interest group. It lobbied successfully for the enactment of the "Ley de Economista" in 1965; the law required all economists to become members of the Colegio and it obligated both the public and the private sector to contract the Colegio's economists to perform certain jobs. But both employers and economists rountinely ignored the law. The Colegio was also drawn into partisan struggles, with competition for leadership slots contested by APRA partisans and various groups on the left.[9]

Among elite economists, the Colegio fell into disregard as a politicized job-mongering organization that served the "massified" segment of the professions, i.e., the graduates of public and provincial universities. A number of economists in my interview pool pointed to the social stratification within the profession that was a product of the divide between those graduating from the Católica and Pacífico and those graduating from other institutions. As one put it bluntly, "There are two types of economists in Peru: those from the Pacífico and the Católica *and* the rest."[10] Within the elite corps, informal networks based on friendships and connections formed at the elite universities served as devices for recruitment into top jobs within the public and private sector.

The political tenor of the 1970s and 1980s in Peru was not especially propitious for the development of any particular widely-shared consensus on economic policy either inside or outside the academy, and especially not one in the neoliberal direction. As Richard Webb points out, the statist and populist economic policies of the military regime were questioned after 1976, but the policies were not completely discredited in elite circles or in broader public opinion in the early 1980s (Webb, 1993: 369–71). If anything, the disastrous consequences of the half-hearted attempt at neoliberal policies during the second administration of Fernando Belaúnde (1980–5) only fueled the conviction among many economists and politicians that

heterodox economic management deserved another try. The crisis of Chile's model in 1983 and the advent of heterodox experiments in Brazil and Argentina were further inducements to re-tool heterodoxy in Peru.

As Peru made its transition from military to civilian rule in 1980, the economics profession was still in a relatively early stage of development. What elected politicians found within the profession was a disparate and unevenly trained group of technocrats who could be called upon either to legitimate, administer or alternatively attack almost any set of economic policies. Economists themselves did not seem to share a common sense on the basic rules of conduct for the management of the economy; this made it all the easier for politicians to sample from an expansive menu of policy choice and experimentation. In the service of politicians, domestic interests groups and international organizations, economists took their turns at administering what Gonzales de Olarte and Samamé refer to as the "Peruvian pendulum", a pattern of abrupt oscillations in economic policy – veering from orthodox adjustment to heterodoxy – that had a profoundly negative effect on economic growth (Gonzales de Olarte and Samamé, 1991; Pastor and Wise, 1992; Paus, 1991).

The dynamics of professional development in Chile during the same period were very different. In Chile, the Pinochet dictatorship put a forceful end to the ideological ferment in Chilean society and significantly narrowed the range of debate within the economics profession. The dictatorship simplified the debate on economic policy by eliminating the left and discrediting the radical policies associated with the Allende experiment. At the same time, the repression and the experience of exile that came with the dictatorship provoked a reevaluation of economic and political options by what remained of the opposition.

The result was that two well-defined epistemic communities crystallized within the economics profession in the context of the Pinochet dictatorship: the Chicago Boys and the CIEPLAN monks (cf. Silva, 1991). After the 1973 military coup, Pinochet turned to the already existing network of economists trained in monetarism at the Catholic University and the University of Chicago. The Chicago Boys were given free reign over the management of economic policy and became the architects of Chile's authoritarian-induced free market model.

The dominating character of the Chicago Boys and their dismissive posture toward criticism by non-experts forced the opposition to develop a worthy technocratic counterpart. Founded as a research institute in 1976, the Corporación de Investigaciones Económicas para América Latina (CIEPLAN) evolved as a think tank closely tied to the Christian democratic party. That connection with the Christian democrats became a platform

through which CIEPLAN came to influence a broader spectrum of the opposition. CIEPLAN economists played an important role in moving opposition politicians toward a consensus on the desirablity of maintaining the free market model, albeit with more emphasis on social spending. The new moderation in economic thinking promoted by CIEPLAN economists eased the way toward the 1988–90 political transition by assuring that a basic continuity in economic policy would be maintained by an opposition government. When Patricio Aylwin won the presidency, the CIEPLAN technocrats (dubbed "monks") led by Finance Minister Alejandro Foxley, took over the reigns of economic policy – and made good on their commitment not to overturn the economic reforms of the Pinochet period.

ECONOMICS TO POLITICS: THE APPLICATIONS OF FLOATING EXPERTISE

With few exceptions, most of the Peruvian economists interviewed for this study tended to see their political power as secondary to that of politicians, interest groups and international financial institutions. They depicted themselves working in largely instrumental roles in relation to other actors in the political process – as intermediaries, as interlocutors, as "hired guns." As one especially frustrated interviewee put it, the relationship of economists to politicians was to "acompañar, no más" (just to escort them). Economists also express significant frustration with the profession's seeming incapacity to generate new ideas. Many feel that the profession has been passive intellectually, all too eager to reproduce foreign-inspired formulas – whether it was Latin American heterodox shock or Northern recipes of orthodoxy. They see some of this lack of creativity and low level intellectual production as a result of the problematic working conditions generated by Peru's long economic crisis. Economists, like other professional groups, struggle to make a living and many talented professionals are lured off into pursuits out of the discipline. Among those that stayed more immediately connected to the discipline, many were driven by the force of the catastrophic economic circumstances to devote their energies to the study of the *coyuntura* and developing short-term policy prescriptions.

In concrete terms, what are the circuits that join economists to policymaking and the political process? What is the tenor of their relationships to other parties and interest groups? How do those relationships affect intellectual production of the profession and the profession's capacity to shape policy?

Direct employment in the public sector is one obvious way through which economists extend their influence into the policymaking process; and for many elite economists, work in the public sector is part of the

typical career trajectory. Among the 93 listed as Peru's top economists, 51 (55 percent) report some work experience in governmental entities. Among the 30 economists directly interviewed, the incidence of public service employment was even higher, with 25 (83 percent) reporting such service.

Within both elite pools, the Ministry of Economy and Finance (MEF) and the Banco Central de la Reserva (BCR) were the preferred sites for public employment. Among the 51 economists who reported public service employment, 27 reported service in the BCR and 16 reported service in the Ministry of Economy. Working in the sectoral ministeries (agriculture, industry) was less frequent among elite economists and these jobs are considered to be less status-enhancing than those in the BCR and MEF. As seen in Table 8.3, economists made significant headway in establishing their hold over top positions at the MEF, although engineers

Table 8.3 Educational background of Ministers of Economy, 1978–1995.

Ministers of Economy	Formal training in economics * = yes	Education	
		Subject	Institution
Javier Silva Ruete	*	Economics	U. San Marcos
Manuel Ulloa		Law	U. San Marcos
Carlos Rodríguez Pastor		Law	U. San Marcos
José Benavides Muñoz		Law	U. Católica
Guillermo Garrido Lecca	*	Engineering	U. Católica
Luis Alva Castro	*	Economics	U. Texas
Gustavo Saberbein	*	Economics	U. Trujillo
		Engineering	UNI
		Economics	U. Grenoble
		Development	
César Robles	*	Economics	U. Villareal
Abel Salinas	*	Engineering	UNI
		Economics	U. Chile
Carlos Justo Rivas Dávila	*	Economics	U. Trujillo
César Vásquez Bázan	*	Economics	U. Lima
Juan Carlos Hurtado Miller	*	Agronomy	U. Agraria
		Economics	Iowa State
		Public Administration	Harvard
Carlos Boloña	*	Economics	U. Pacífico
		Economics	Iowa State
Jorge Camet		Economics	Oxford
		Engineering	UNI

* = Undergraduate/graduate training in an economics faculty.

were also strong competitors for the cabinet position. Apart from the ministerial post itself, acting as an advisor to the Minister of Economy became one of the most desirable positions for an ambitious economist.

In terms of commitment and duration, the experience of elite economists within public sector is diverse. Some elite economists did spend a signficant portion of their career as functionaries within public entities, but for many others the experience in the public sector is transitory. This is due to the political nature of their appointments (even the brightest advisors must exit with "their" minister) and the higher salaries available in jobs outside the public sector. Thus, for many economists, the encounter with the public sector is brief but important for establishing connections and developing "insider" knowledge of government operations.

As is the case for other groups in Peruvian society, the relationship between economists and political parties has been problematic. Since the transition to civilian rule in 1980, Peruvian political parties have suffered from a variety of ills that have left the party system in a state of collapse. Among the ills was the disconnection that developed between parties and civil society; parties were unable to forge stable, institutionalized relationships with both old and emergent groups in Peruvian civil society. The "crisis of representation" has become a standard theme in the discussions of Peru's failed party system (Cotler, 1995; Crabtree, 1995; Grompone, 1991).

Like many other segments of Peruvian society, middle-class professionals remained at a distance from formal party structures. Of the 30 elite economists interviewed, 21 (70 percent) indicated that they did not hold either current or past memberships in political parties. The high percentage of political "independents" among these economists is in line with the trend in the public at large. Mass opinion surveys indicate that 86 percent of the Peruvian public identifies themselves as "independents" (Apoyo, 1993). Since the end of the 1980s, political parties consistently ranked as the institutions that evoke the least amount of confidence in the Peruvian public.

Notwithstanding this positioning of elite economists outside of the formal party structure, *all* 30 interviewees reported that they have had episodic relationships with parties that range from consultations with party leaders to direct involvement in writing party platforms. A number of economists report that their experience in this type of consulting crosses party and ideological lines. So while economists did participate frequently in policy debates and strategizing within parties, most did not maintain continuous or institutionalized relationships with parties. The influence of economists (and other technocrats) within political parties was highly informal – often based on personal friendships with individual politicians. As the discussion in the following sections shows, individual economists can skillfully operate within this informal system to acquire a great deal of

personal influence within particular administrations; but, unlike Chile, it has not been a system in which coherent technocratic corps inside the profession were able to acquire important roles both within the government and opposition.

Party leaders in Peru made use of these informal relationships with economists, but to the detriment of the institutionalization of expertise inside their own parties. Parties remained reliant on this informally-organized provision of expertise offered up by political "independents" and did little to develop institutions (think tanks, research departments) within their organizations capable of generating economic policy proposals to guide party positions and the managerial know-how to execute them.

While most economists (like most Peruvians) elected to remain "independents," one group of technocrats did seek to strike a more formal relationship between themselves and parties by creating one of their own. In 1984, Javier Silva Ruete and Manuel Moyrera founded Solidaridad y Democracia (SODE); they were joined by other technocrats including another economist, Raúl Salazar. Silva Ruete and Moyrera were already established public figures, having served as economics minister and head of the BCR respectively at the end of the Morales Bermúdez military government. SODE was founded to create an institutional base to influence the conduct of economic policy. It positioned itself as a centrist party.

In 1985, SODE struck an alliance with APRA that opened up several slots on APRA's congressional list for SODE candidates. SODE picked up two congressional seats (one in Senate for Silva Ruete), but the hope of influencing economic policy in the incoming APRA government of Alan García was quickly dashed after Manuel Moyrera was passed over in the competition for Finance Minister. By 1990, SODE was more squarely on the free market bandwagon and signed on to support FREDEMO, the alliance backing the presidential candidacy of Mario Vargas Llosa. Raúl Salazar presided over the writing of FREDEMO's economic proposals. SODE won three congressional seats as part of the FREDEMO list, but the defeat of Vargas Llosa and the subsequent disintegration of FREDEMO left SODE without much to influence. While the idea of creating an elite party failed in the long the run to generate much interest among technocrats or the general public, SODE was a useful platform for continued political activity by Silva Ruete and Moyrera. Moyrera was elected to the 1993 Constituent Assembly and became an influential economic advisor in the presidential campaign of Javier Pérez de Cúellar.

Business interest groups as well as individual firms looked to economists to articulate their interests in reference to economic policy. Every major business association – Asociación de Exportadores (ADEX), Confederación Nacional de Instituciones Empresariales Privadas (CONFIEP), Sociedad

Nacional de Industrias (SNI), etc. – periodically commissions economists to develop position papers to be used in their lobbying efforts. Of the 30 economists in the interview pool, 20 indicated that they had acted as consultants to business interest groups, firms, or both. With lesser frequency, economists also acted as consultants for labor unions.

Like parties, interest groups rely heavily on this type of periodic consultation with economists, but there were also some efforts within groups to develop in-house research units. Probably the most notable effort was that of the Sociedad de Industria that created its own Instituto de Estudios Económicos y Sociales (IESS) in 1980 (Conaghan and Malloy, 1994: 83). The idea underlying the creation of the IESS was to assemble a corps of technocrats capable of casting the positions of the industry within the language of formal economics, so as to enhance the capacity of the organization to lobby successfully.

The "floating" expertise available in the elite segment of the economics profession is also frequently used by international organizations. Consulting became an important conduit for exposing Peruvian economists to the dominant thinking and agendas inside entities such as the International Monetary Fund and the World Bank. While some Peruvians took up full-time positions within these entities, it was more common for most economists to work under contract on specific projects. Among the 93 economists identified in the *Peru Report* list, 49 (53 percent) include references to international work experience in their credentials.[11] Among the international organizations most frequently cited were the World Bank and the United Nations, followed by the Junta de Acuerdo de Cartagena and the International Monetary Fund. Within the group of 30 elite economists interviewed for this chapter, the incidence of international work and consulting was even higher. Twenty-six economists (87 percent) indicated that they had engaged in some type of work for international organizations.

The growing demand for consultants in the late 1970s and 1980s led some economists to create for-profit consulting firms. Among the most notable of these are Apoyo, Medio de Cambio, Macroconsult, and Consorcio La Moneda. The Apoyo and Medio de Cambio groups combined consulting with economic journalism; both produced subscription publications aimed at providing business clients with information on economic trends and "insider" tips on the latest political developments.

Non-profit research organizations that brought together economists and other social scientists also took advantage of the demand for research and project analysis, particularly from international organizations. Among the non-governmental organizations with research expertise in economics is

the Grupo de Análisis para el Desarrollo (GRADE), DESCO, and the Instituto de Estudios Peruanos (IEP). In the 1990s, research institutes also served as havens for economists after public service. Ex-Economy ministers Carlos Boloña, Luis Alva Castro, and Gustavo Saberbein founded research institutes after exiting their ministerial posts.

Yet, neither the prestigious for-profit firms nor the growing collection of non-profit research groups were able to exercise any continuous influence on government policy during the turbulent presidencies of Fernando Belaúnde or Alan García. The for-profit nature of the consulting firms mitigated against their development as full-blown think tanks. Much of their work was devoted to specific projects laid out by their clients; and much of the economic journalism they produced dealt with the analysis of short-term economic trends. The analysis of the immediate *coyuntura* dominated the agenda of for-profit firms. Of all the for-profit firms, the Apoyo group founded by Felipe Ortiz de Zevallos assumed a high public profile and played an important role in shifting the ideological environment in the 1980s with its impassioned defense of free-market principles.

The two NGOs that came closest to approximating policy think tanks that had a palpable impact on policy design in the 1980s were the Centro de Desarrollo y Participación (CEDEP) and the Instituto de Libertad y Democracia (ILD). CEDEP associates – led by Daniel Carbonetto – were important in formulating the heterodox macro-economic policy pursued by President Alan García. On the other side of the ideological spectrum was Hernando de Soto's Instituto Libertad y Democracia. Founded in 1981, the ILD pursued a research agenda focused on the informal sector; that provided a platform for de Soto's attacks on statism and the design of projects to deregulate economic life and reform public administration. The ILD collaborated with the García administration on a project aimed at legalizing property titles of urban dwellers in the *pueblos jóvenes* and rural areas.[12]

But unlike Chilean think tanks that established a nexus with political parties and cast a wide net of influence, neither ILD or CEDEP were able to hold onto their political clout for long.[13] The political influence of both groups had more to do with peculiar political circumstances than with their embededness in institutional structures or intellectual capacity to frame debates on economic policy. Both organizations offered up ideas that fit comfortably within President Alan García's political project.[14] Their clout also had to do with ability of individuals within the organizations to retain relationships of *confianza* with the president. De Soto was able to make the transition from García to Fujimori and established a position as an important advisor on drug

policy to the new administration during its first two years. That influence dissipated as de Soto grew frustrated with lack of progress on drug policy.

As one economist noted, it is typical for economists to "wear many hats." As this discussion shows, elite economists are immersed in a variety of roles in their careers – they may serve as international consultants, business advisors, policy designers, academics. They may undertake these roles at different points in their careers or assume several or all of these simultaneously. Rather than build careers through long years of service in a single institution, the careers of most elite economists are built around a succession of episodic relationships to other powerholders – politicians, interest groups, firms, international organizations. It is a world in which individual economists can accrue influence and status (and perhaps even the chance to make policy) through a complex mix of clientelism, contacts, merit, and marketing.

INDIVIDUAL STRATEGIES: HOW YOU ARRIVE (*O COMO LLEGAR*) AND HOW YOU DEPART

Elite economists are virtually unanimous in the view that neither the profession nor professional institutions have been able to exert a systematic influence on the policymaking process. In their perspective, *individual* economists can exert considerable influence and decisionmaking powers only when they are situated inside the core of a government's economic team and enjoy the *confianza* of the president. The powers enjoyed by these individuals are heightened in periods of acute crisis, when the normal tugs of interest-group politics are suspended and presidents entrust the design and execution of policy to their technocrats.

In the words of one noted economist, "influencing policy is the big-payoff," for professionals.[15] Elite economists identified various strategies used by themselves and colleagues to advance their careers and make themselves candidates for entry into the inner circles of policymaking process. With variations in emphasis, virtually all the interviewees pointed to the use of the mass media and the cultivation of personal contacts with politicians as the key components of these strategies.

Opinions varied considerably regarding the relative importance of academic research and writing as a requisite for making one's way to the "inner circles" of policymaking. A significant segment of elite economists have established connections to the academy. Among the 93 "top" economists, 48 (52 percent) reported holding past or current university teaching

positions. Some saw a track record of academic production as an important component in establishing one's credibility and *peso* in discussions of economic policy; but others minimized its importance. With the exception of Richard Webb, who served as president of the Central Bank during the Belaúnde administration, none of the economic technocrats in top policy-making positions in the 1980s and 1990s were major intellectual "producers" within the discipline. More important than academic production *per se* is one's ability to gain access to the venues that allow economists to articulate their views to the policy-relevant audience of politicians, businessmen, and fellow technocrats.

Projecting ideas in the mass media was seen by almost all interviewees as a critical element in the effort to garner elite attention, although opinions differed regarding the relative importance of particular media. Writing for, or being interviewed for, newspapers was identified as an excellent vehicle for injecting one's views in policy discussions, especially in newspapers that are important to the elite audience such as the business-oriented *Gestión*.

Not suprisingly, television also ranked highly as an important vehicle for economists seeking to project themselves to an elite audience – from appearances on political talk shows to "sound-bites" on evening newscasts. At the same time, many of the interviewees were quick to point to the hazards posed by achieving media celebrity. Like all media celebrities, "television" economists can run the risk of over-exposure, or being seen as less serious than economists who are less television-centric.

Speaking appearances at high-profile public forums, such as the annual Conferencia Nacional de Ejecutivos (CADE) business conference, were also judged to be an important part of the way in which economists market themselves to elite audiences. Getting invited to such status-enhancing events serves not only to heighten an economist's visibility in discussions on economic policy but also entails mixing in social settings that can facilitate personal contacts with politicians.

As several economists noted, the path to acquiring policymaking power begins with identifying the key powerholders in an incumbent administration (or identifying those who are on their way to occupying those positions) and constructing a strategy to "*llegar a esas personas*" (get to those people). The professional visibility that comes with academic endeavors, media presence, and public appearances is part of the process – but so is the forging of *amistades* (friendships). These friendships, in turn, yield further professional visibility (in the form of speaking invitations, consulting opportunities, etc.) and can lead to opportunties to get more closely

tied to incumbent politicians or to develop ties within the context of political campaigns. One economist, who served as an economic minister for Alan García, described how his desire to put the ideas he developed in an NGO into practice led him to seek out relationships with Luis Alva Castro and Alan García in 1981; those friendships led to an invitation to work on APRA's Plan de Gobierno in 1984–5, and eventually a ministerial post.[16]

The relationships that economists work so hard to develop with politicians, however, can prove to be extremely ephemeral. The *confianza* that one may enjoy with a politician can dissipate for a variety of reasons. Interest-group politics and the attitudes of international institutions have short-ciruited the political aspirations of a number of economists.

The tenuous character of such relationships was illustrated sharply in 1990 in the jockeying for positions within the economic team after Alberto Fujimori's second-round victory in the presidential race against Mario Vargas Llosa. Prior to the first round, Alberto Fujimori was an obscure candidate with no elaborate campaign apparatus or advisors. After his astonishing second place performance in the first round, Fujimori hastily assembled a skeletal group of economic advisors. Many leading economists were already supporters of Vargas Llosa and his radically pro-shock treatment position on how to deal with Peru's rampant hyperinflation. Fujimori projected himself as the anti-shock treatment/candidate and sought advice from economists opposed to radical shock, most notably Santiago Roca. Roca was a professor at the Escuela Nacional de Administración de Empresas (ESAN), a private post-graduate business school. His career trajectory was standard for elite economists – undergraduate work at the Católica, post-graduate work at Cornell, project consulting with the World Bank, the Inter-American Development Bank and the Peruvian exporters' association, ADEX. He was not affiliated with a political party. His visibility in the debate over economic policy increased with the publication of various pieces on the shock-treatment question in the print media, particularly *El Comercio*. Personal contacts facilitated communications with candidate Fujimori that eventually led to Roca's appointment as head of the *Plan de gobierno* for Cambio 90.

Roca's rapid ascent to power (along with other economists who worked on Fujimori's first economic plan) was matched only by the rapidity with which Fujimori unloaded his anti-shock advisors in the post-election period. Contending economists backing the shock option honed in immediately on the president-elect. A prestigious academic lobby came in the form of a comprehensive stabilization blueprint authored by Carlos Paredes and the American economist, Jeffrey Sachs (Paredes and Sachs, 1991). Sachs was already well-known for his role in the Bolivian stabilization plan of

1985 and was a vigorous proponent of a rapid and radical application of adjustment measures (Conaghan, 1994) The intellectual case for shock treatment went hand in hand with another high-pressure lobby mounted by external actors with the help of Peruvian technocrats, most notably Hernando de Soto and Carlos Rodríguez Pastor. With the aid of U.N. Secretary General Javier Pérez de Cuéllar, de Soto arranged Fujimori's pre-inaugural visit to New York for a meeting with IMF president, Michel Camdesuss. The meeting included a discussion of the contending orthodox and heterodox plans to deal with Peru's acute economic crisis. Camdessus stressed the importance of opting for the orthodox route, noting that aid from international institutions would not be forthcoming otherwise. The same message was delivered by U.S. government officials; in a subsequent pre-inaugural trip to Japan, Japanese government officials reiterated the position. According to de Soto, the New York meeting was pivotal to the turn-around in Fujimori's thinking on economic policy.

Out-maneuvered by de Soto and Rodríguez Pastor, the exit of the heterodox economists began. By mid-July, Santiago Roca resigned as head of the pre-inaugural economic team along with Adolfo Figueroa, another principal economic advisor.

The instrumental relationship between presidents and technocrats and the derivative nature of technocratic power was illustrated again in the case of Carlos Boloña, who served as Fujimori's neoliberal architect and economics minister from 1991 to 1993. Boloña was considered widely to be one of the most "powerful" and relatively successful economic ministers of recent times – but what was the nature of that power and how did it dissipate?

As Boloña himself recognized, the catastrophic state of the Peruvian economy and the obvious policy failures of the previous García government created an unprecedented opportunity for undertaking neoliberal economic reforms (Boloña, 1993: 53). The public was willing to tolerate the reform program, in part, because of its association with halting hyperinflation. Unambiguous presidential support of Boloña's program was crucial; and Fujimori worked to maximize Boloña's discretionary powers. In the period prior to Fujimori's auto-coup of April 5, 1992, a congressional majority ceded special powers to the executive branch, as permitted by Article 211 of the constitution, to emit economic laws without congressional approval. The coup itself swept away congress altogether and allowed Boloña to continue unimpeded. At the same time, the coup provided Boloña with an additional bargaining chip to enhance his standing within the administration. The government believed that Boloña's continuing presence in the cabinet was desperately needed in

order to reassure international financial institutions and ward off economic reprisals threatened by the international community as a sanction of the coup. Within this context, Boloña was able to insure his predominant position in the cabinet by periodically threatening to resign.[17]

Boloña's power within the administration began to wane, however, when it became clear that he could not undo the cutoff in international financial flows that followed the coup.[18] Finally, discontent in business circles about other features of Boloña's program prompted Fujimori to ask for his resignation in January 1993.

Boloña's own description of his dumping by Fujimori is neat testimony to the ephemeral quality of technocratic power. When informed face-to-face by Fujimori that "pressures" and political strategy required a change in finance ministers, Boloña countered with a series of polemical questions to underscore the government's (and his own) capacity to ignore such pressures. Boloña described the scene: "Hadn't the government won a majority in the CCD [constituent assembly] election or not? Were opposition parties in a better position than us? Might the complaints of a few business organizations against the economic plan have more support in public opinion than those of traditional politicians? Finally, even if there were pressures, I was sure that I could overcome them. I had learned something about politics from my times of conflict with García, facing so many congressional commissions and avoiding an interpellation" (Boloña, 1993: vii).

Boloña's queries and self-confidence notwithstanding, Fujimori simply repeated that political strategy required that Boloña must go. Boloña, like many other technocrats, was forced to recognize the fleeting nature of power acquired by appointment. It is no wonder that he (and other notable technocrats of his generation) are thought to be contemplating future presidential bids.[19]

CONCLUSIONS: ON POWER, POLITICS, AND NEW PROFESSIONS

In addition to counteracting any overdrawn images about the power and autonomy of technocrats in Latin America, the Peruvian case also invites reflection on important questions about the role that professional communities play in the process of regime change and political development. A comparison with the Chilean case is an exercise in stark contrast. In Chile, economists were major protagonists in the construction of the dictatorship and acted as its principal ideologues. Economists in the opposition (along with other social scientists) subsequently emerged as crucial players in the democratic transition. They first reworked their own intellectual positions

and views on economic policy. Using research institutes as a haven, they then engaged the political leaders in parties in policy dialogues that gave birth to a shared consensus within the opposition on the need to maintain Chile's neoliberal model after the conclusion of the dictatorship, albeit with more emphasis on social compensation programs.[20] Chilean economists, working hand in hand with politicians, helped to lay ideological and policy groundwork for a successful political transition.

In contrast, Peruvian economists did not emerge, either before or in the immediate aftermath of the auto-coup, as innovative political actors or intellectual architects of economic or political consensus.[21] The profession in the 1980s was still in an early stage of development and it mirrored the diverse, socially stratified, and politicized state of higher education in Peru. The discipline refracted the intense ideological struggles of the decade. The fading attachment to statist economic policies in the 1990s was not a product of conscious consensus-building by economists (or others); it rose from the ruins of the APRA-induced economic debacle and a perceived exhaustion of alternatives on the left.

Unlike Chile, the ties between economists and political parties in Peru were more haphazard and less institutionalized. No Peruvian think tank was able to shape thinking on economic issues within parties in the manner of Chile's CIEPLAN. "Floating" economists proffered periodic advice to parties, but there was no systematic engagment between coherent technocratic corps within the profession and political parties. The different quality of the relationship among economists and political parties in Peru and the peculiarities in Peru's transition process after the auto-coup mitigated against economists assuming pivotal roles as in the Chilean case.[22]

These ambivalent and often distant relationships between professionals and parties continues to be a stumbling block in the rehabilitation and reinvigoration of the party system in Peru. In Chile, the nexus of professional communities and parties has been an important component in re-establishing a vigorous party system and using it as a platform for the development of a broad consensus on democracy and the direction of public policy. At least so far, few Peruvian professionals are willing to commit themselves to building of institutionalized parties. Alejandro Toledo plans to use his *País Posible* movement as a vehicle for his presidential bid in 2000; but it seems unlikely that Toledo will devote much energy to party-building per se. A more promising home for reform-minded, politically-engaged technocrats is Pérez de Cúellar's *Unión por el Perú* (UPP). The evolution of the UPP over the next few years will offer telling insights as to whether an important segment of Peru's intellectual and technocratic elite is now ready to contribute to the institutional development of the party system.

Among the noted economists who participated in Javier Pérez de Cúellar's presidential campaign were Manuel Moyrera, Efraín Gonzales de Olarte, Javier Iguíñiz, Carlos Amat y León, and the ubiquitous Guido Pennano. Whether these and the many other professionals within the opposition will turn their collective energies toward the long-term task of building the UPP as a reformist party remains an open question. Recent conflicts on policy and personnel issues do not bode well. On the government side, President Fujimori has made it clear that he is uninterested in party building; he sees technocrats exclusively in the role of "managers" of an efficient state apparatus, not as interlocutors for social groups.

Finally, reflection on the career trajectories of Peruvian economists suggests important future lines of inquiry in the study of technocrats in Latin America – namely, the impact of new technocratic professions on the development of civil society and class structures. In their roles as consultants, many Peruvian economists are now located in what Robert Reich has identified as the "symbolic analytic" service sector of the economy, i.e., they function in problem-solving, problem-identifying, and strategic-brokering services that revolve around the manipulation of symbols (Reich 1992, 177). Along with pollsters, media specialists, and other types of consultant, economists are part of a new, high-tech, knowledge-based elite. Their fluid careers are not based on a hierarchical advance within organizations, but on episodic relationships to organizations. Reich has argued that symbolic analysts not only enjoy privileged working conditions, but have life styles that increasingly segregate them from workers in the "routine production" segment of the economy.

What effects will this stratum of symbolic analysists have on the constitution of civil society and the conduct of politics? In a highly fragmented and inegalitarian society like Peru, the presence of such a stratum may simply imply an even greater distancing among social groups and heighten the difficulties in joining citizens together around common concerns. An already enfeebled civil society may be only weakened further by the presence of a disconnected "consulting class." The disengagement of professionals from the party system becomes even more troubling when considered in this light. In their role as interest aggregators, parties are agents for bringing together diverse social groups and forging policy coalitions. Without the presence of professionals, parties are handicapped severely as policy generators, as engineers of cross-class coalitions, and ultimately as organizers of democratic political life. Finding new ways to connect technocrats to citizens, as democratic partners and advocates rather than as managers or media stars, remains an important part of Peru's difficult agenda of democratization.

Notes

1. Assistance to the author on this project was generously provided by the Centro de Investigación of the Universidad del Pacífico and Carlos Bustamante Baldeón. Commentaries by my colleagues at the Instituto de Estudios Peruanos – Julio Cotler, Efraín Gonzales, Romeo Grompone, and Francisco Verdera – were also of great help. Funding for the research was provided by the Social Sciences and Humanities Research Council of Canada.
2. The source is Cavanaugh (1992). The book is a Who's Who organized by professions. A reputational methodology was used to compile the lists; 93 names appear on the list of "top" economists.
3. Twenty-eight of the 30 interviewees appear on the previously cited list of top economists in Peru. Two of the interviewees (Carlos Boloña and Julio Velarde) did not appear on the list, but they were among the names most frequently cited by interviewees as being the "most influential" economists in public life – thus, they were included in the interview pool. The selection of the interviewees was not completely random; an effort was made to insure variation across the political and ideological spectrum.
   Interviews for the project were conducted in April and August 1993. The following economists generously gave of their time in interviews: Luis Abugattás, Augusto Alvarez, Carlos Amat, Carlos Boloña, Gianfranco Castagnola, Enrique Cornejo, Oscar Dancourt, Hernando de Soto, Javier Escobal, Jorge Fernández Baca, César Ferrari, Efraín Gonzales de Olarte, Fernando Gonzales Vigil, Jorge González Izquierdo, Juan Carlos Hurtado Miller, Javier Iguíñiz, Felix Jiménez, Felipe Morris, Guido Pennano, Teobaldo Pinzas, Santiago Roca, Virgilio Roel, Manuel Romero, Gustavo Saberbein, Francisco Sagasti, Raúl Salazar, Bruno Seminario, Javier Silva Ruete, Julio Velarde, and Richard Webb.
4. Prior to 1928, economics courses in San Marcos had been taught as part of Political and Administrative Sciences and were designed for civil servants. For an overview of the early development of economics in San Marcos see Zanconetti (1986).
5. For a fascinating account of the political environment within public universities in the 1970s see Lynch (1990).
6. According to one informant, neoclassical theory was taught without great enthusiasm by instructors at the Pacífico in the 1970s. He recalled that one professor, after dutifully teaching micro-economic mathematical models, concluded the class with the commentary, "ésto no sirve para nada."
7. Defining the bounds and the educational criteria for inclusion is an important element in the institutionalization of any profession. For a discussion of this process see Safartti (1977).
8. Among the economists most frequently cited by interviewees as most influential in public life were: Richard Webb, Carlos Boloña, Manuel Moyrera, Felipe Ortiz de Zevallos, Roberto Abusada, Javier Silva Ruete, Javier Iguíñiz and Daniel Carbonetto. Moyrera's formal training is as an attorney; Ortiz de Zevallos and Carbonetto were trained as engineers.
9. Interview, Jorge González Izquierdo, Lima, April 1993.
10. Interview, Lima, April 20, 1993. Another interviewee from San Marcos noted that the stratification also included a racial angle – i.e., that economists from

the Católica and Pacífico were more likely to be middle or upper-class whites.

11. The data from the *Peru Report* listings probably under-represent the incidence of international work. There is a wide variation in the biographical information that participating economists made available; some participants listed their work experiences in great detail, while others did not.
12. Hernando de Soto's views on the informal sector and research by ILD were published in the book authored by de Soto (1989). For a review of de Soto's ideas and the work of the ILD, see Bromley (1994).
13. Many think tanks in the US also have ongoing relationships to parties. For a discussion of the structure and impact of think tanks in American politics see Allen Smith (1991), and Ricci (1993).
14. The introduction to the definitive volume on heterodox policies notes that Alan García published an article in the magazine, *Marka*, in 1981 that anticipated much of the heterodox program. See Carbonetto *et al.* (1987: 13).
15. The greater emphasis in the Peruvian economics profession on playing an active role in political life and influencing public policy more closely resembles the European model of career advancement in the profession than the American model. In the American model, advancement in the profession is determined largely by academic production, especially one's contribution to economic theory. For a comparison of the career trajectories of American and European economistas see Frey and Eichenberger (1993).
16. Interview, Lima, April 20, 1993.
17. Boloña's manueverings in the weeks after the coup and his use of the resignation threat to extend his control over cabinet is described by Augusto Blacker Miller in *La propuesta inconclusa*, pp. 209–20. In the course of the in-fighting, Blacker Miller was forced out of his post.
18. A variety of credits from the International Development Bank were delayed or postponed after the coup; financial flows from Paris Club members were also delayed, see Velarde (1994: 147).
19. Along with Boloña, Toledo and Pennano, the other economists who are frequently considered to be *presidenciable* include former World Bank staffer, Francisco Sagasti, best-selling author Hernando de Soto and Pacífico University professor, Jorge González Izquierdo.
20. The "intellectualizing" of politics by social scientists in Chile during the regime transition is discussed at length by Puryear (1994).
21. Carlos Boloña and Hernando de Soto advised President Fujimori to accede to the pressures from the OAS to stage a legislative election after the auto-coup in 1992, in part to assure that economic sanctions would not be taken against Peru. Economists, like the rest of the Peruvian elite, divided in supporting or opposing the auto-coup. Boloña's decision to stay in the cabinet after the coup certainly helped to legitimize the new regime. Given their diffuse relationships with parties, economists were not major strategists within the opposition regarding whether or not to cooperate in the "electoralization" of the post-coup regime. For a discussion of the post-coup politics see López Jiménez (1995).
22. The nexus between technocrats and parties has been crucial in progressive reforms. For a discussion of the relationship in local politics in the United States, see Finegold (1995).

9 Feminism and Technocracy: Femocrats in Brazil in the Eighties

Ineke van Halsema

INTRODUCTION

Discussions on technocracy in Latin America generally focus on personnel who have a dominant influence on national policies.[1] Most attention has been paid to those that not only make technical decisions on implementing policies, but are also decisive at the level of national policy formulation (Centeno and Maxfield, 1992: 58). It may not be a coincidence that this group is usually assumed to be male as in the case of the "Chicago *Boys*." This chapter focuses on a very different group distinguished by their gender and their distance from the centers of power, namely *femocrats*.

The term femocrats, first coined by the Australian women's movement in the 1980s (Watson, 1992), has gained wide use in feminist circles to designate personnel (largely female) in the international, national, regional or even municipal bureaucracies whose standing is based on their – supposed – expertise on women's issues and a mandate to defend women's rights. The rise of such a specific group of experts may be seen as the result of two processes: a) demands and pressure from the women's or feminist movement to influence public policies, and b) initiatives by governments (often under pressure of international agreements) to set up separate departments, sections or ministries to deal with women's issues. These two processes immediately show the tensions under which femocrats in many instances work: they are part of both a government machinery and a social movement (feminism), which may result in conflicting demands and expectations. Because of these tensions, they represent a potentially rich subject for the analysis of the relationship between technocracy and democratic decisionmaking.

This chapter discusses the specific case of femocrats in Brazil in the 1980s. It does so by first discussing the international context which induced the appearance of a specific group of femocrats in many countries. It then provides a short history of feminism in Brazil. The main part of the chapter focuses on Brazilian femocrats: who they are, where they are located in the Brazilian bureaucracy, their major achievements, and the difficulties they have faced. The final section explores two questions: on the one hand whether a discussion of this group as technocrats improves our understanding of the specific tensions facing femocrats, and on the other hand whether an analysis of the specific case of femocrats can add to an understanding of the "technocratic phenomenon."

INTERNATIONAL INCENTIVES FOR FEMALE MACHINERIES: THE RISE OF FEMOCRATS

The U.N. declared the years 1975–85 the international women's decade. Governments were among the main actors expected to contribute to general goals: to improve the situation of and generally empower women. This is, for instance, reflected in the Forward Looking Strategies formulated at the end-of-the-decade conference in Nairobi: more than half of the resolutions in that document call for action from governments, ranging from equalizing access to education and removing stereotypes from the media, to providing credit and landownership to women farmers (Staudt, 1990: 4).

It was within this context that what the U.N. calls "national machineries" for the advancement of women were promoted. The U.N. Commission on the Status of Women defines a national machinery as "any organizational structure established with particular responsibility for the advancement of women and the elimination of discrimination against women at the central national level." These include governmental, non-governmental or a joint governmental/NGO body, and it could consist of one agency or several. All are recognized by the government as the national machinery for the advancement of women (Brouwers *et al.*, 1992: 13). By 1991, 54 percent of the developing countries and 89 percent of developed countries claimed to have such a national machinery. In that same year, 33 Latin American and Caribbean countries had government bodies which were supposed to promote women's interests from within the state bureaucracy (Brouwers *et al.*, 1992: 4). The location of the national machinery varied from the President's or Prime Minister's office to a specific Ministry or a separate Ministry of Women's Affairs.

Thus, much like their better known economist counterparts, the rise of the femocrats has a great deal to do with shifts in international definitions of what services and functions governments should provide. Femocrats are partly the product of a global recognition that women represented a specific sector of the population whose problems deserved targeted bureaucratic attention.

As the Brazilian case will show, parallel offices were established at regional and local levels. I therefore prefer to use the term female – and not national – machineries (cf. Staudt 1990: 8). According to the U.N. Commission on the Status of Women, the main functions of national machinery are to promote the integration of women's needs and concerns into government policies and programs; to mobilize grassroots support; and to provide information at the national and international levels (Brouwers *et al.*, 1992: 6). In carrying out these functions national machineries typically follow two strategies. The mainstreaming approach emphasizes attuning government policy and structures towards the needs and interests of women. The project-oriented approach concentrates on the identification and implementation of projects for women (Brouwers *et al.*, 1992: 6; see also Gordon, 1984: 101).

Despite the huge growth in female machineries during and after the decade, the results of all these efforts are generally evaluated as poor. Major constraints to an effective functioning of female machineries include: marginal location within the bureaucracy, lack of funds, lack of staff and especially of trained personnel, and an unclear policy mandate that focuses mainly on welfare issues, and thus makes it difficult to work towards the political and economic empowerment of women (Gordon, 1984: 115, 116; Staudt, 1990: 8).

The results that may be expected from female machineries should be placed in the context of a discussion on gender and bureaucracies, or even more broadly gender and the state. Connell (1990: 510–18) outlines the two classical feminist positions towards the state. Liberal feminism, which has inspired much of the activities in the context of the international decade for women, looks at the state for redressive measures. It often does so, however, without a coherent analysis of the state apparatus or its links to a social context. Radical feminism sees the state as inherently patriarchal or even male, and thus as the enemy. But such a view, no matter its validity, "gives no way of grasping what feminism in practice has seen in the state that makes the state worth addressing as a resource for progressive sexual politics" (Connell, 1990: 519). The state is not inherently patriarchal, but historically constructed as patriarchal in a political process whose outcome is open (Connell, 1994: 36). Because of its central role in

the institutionalization of power, and in the regulation and constitution of gender relations, the state cannot be avoided in challenging patriarchy (Connell, 1990: 535). Once the state is recognized as an important actor in feminist politics, then it becomes important to have allies within it.

The field of feminist politics has been described as a "triangle of empowerment"; an interplay between three sets of actors. These are the women's movement, feminist politicians[2] and femocrats (Lycklama a Nijeholt *et al.*, forthcoming). Individuals may occupy different positions simultaneously. They may, for example, be a part of the women's movement and a femocrat at the same time, or may change their actor position in the course of their lives. Nevertheless, distinguishing the three sets of actors can be useful.

This chapter focuses only on the dynamics between two of these three sets of actors, namely the women's movement and the femocrats. Like other forms of technocratic personnel, the rise of femocrats is associated with domestic political pressures on governments. As the Brazilian case study will show, in many cases the establishment of a female machinery within the state bureaucracy is a direct result of demands emanating from the women's movement. The tensions between this movement and its representatives or allies within the state can inform our wider understanding of the political behavior of technocrats. The next section provides some background for understanding the specifics of the Brazilian case.

THE BRAZILIAN WOMEN'S MOVEMENT: ORIGINS AND MAJOR DEVELOPMENTS

As in many other Latin American and Western countries, feminism in Brazil came in two waves. The first wave has its roots in the mid-nineteenth century, when small groups of mainly urban elite women published newspapers which advocated female emancipation and struggled for education as a means to improve their social and economic position. In the first decades of this century feminist struggle concentrated on obtaining the vote for women. This struggle, led by Bertha Lutz, was won in 1932, and women's right to vote was confirmed in the constitution of 1934. The first wave of feminism in Brazil died with Getúlio Vargas' authoritarian *Estado Novo* (1937–45) (Hahner, 1990).

The second wave of feminism in Brazil started in the mid-1970s in the authoritarian political context of the military dictatorship which had seized power in 1964. Contrary to the suffrage movement of the first wave, which had never allied itself to specific political parties, the early feminist groups

of the second wave clearly situated themselves on the left of the political spectrum in opposition to the military dictatorship. The year 1975 is most often cited as the start of the present Brazilian feminist movement. The U.N. declaration of the International Women's Year coincided with the first, though very limited, opening of the military regime under president Geisel. This provided opportunities for women to organize themselves in, albeit small, feminist groups mainly in Rio de Janeiro and São Paulo. For example, two journals appeared in this period: *Brasil Mulher* (1975–80) and *Nos Mulheres* (1976–78) (Hahner, 1990: 192–4; Sarti, 1989: 79–81).

The strong alliances with the Left – and the Catholic Church to a certain extent – determined the feminist agenda in these years. As was the case in other Latin American countries, most of the Brazilian feminist groups took a strong stance against the military regime and were involved in the struggle for democracy. Class-related issues were also prominent on the feminist agenda (cf. Saporta Sternbach *et al.*, 1992: 397–405). To a large extent the dismissal of the military state included a critique of the technocrats taking unpopular economic measures on behalf of that state. The debate between the women's movement and the Left was on the relative priority of women's issues within the overall aim of class struggle and social and political transformation. The leftist orientation also induced the middle-class-based feminist groups to give priority to forming alliances with, and supporting, working-class and neighborhood-based women's groups (Schminck, 1981).

The period 1979–81 was marked by a huge growth in feminist and women's groups, by a diversification of feminist agendas and as a consequence by increasing conflicts within the women's movement as a whole.[3] Some feminists started to stress the need for autonomous feminist organizations. This call for autonomy included separation from both the traditional left and the church. Some feminists kept stressing the need for a continued alliance to the militant parties of the Left. Still other feminists became active in the new opposition parties, allowed for in the process of political *abertura* (opening) then taking place in Brazil (Alvarez, 1990: 110–37).

It was in this context of the transition of military to civilian rule, with the first fairly free elections of 1982 as a major landmark, that feminists for the first time engaged themselves actively with state politics instead of dismissing the state as an enemy altogether. One of the results of this engagement was the emergence in Brazil of a group that could be termed femocrats.

FEMOCRATS IN BRAZIL

In 1983 the newly-elected state governments established a State Council on the Condition of Women (Conselho Estadual da Condição Feminina) in

the states of São Paulo and Minas Gerais (Schumaher and Vargas, 1993: 451). Subsequently similar bodies were created in 23 other states and municipalities, while at the national level a National Council on Women's Rights (Conselho Nacional dos Direitos da Mulher) was installed in 1985 (Alvarez, 1989: 57). Femocrats in Brazil were largely concentrated in these agencies. The following discussion of femocracy in Brazil will mainly concentrate on the State Council on the Condition of Women in São Paulo and the National Council on Women's Rights, because these two institutions have been most extensively documented and analyzed.

The State Council on the Condition of Women in São Paulo

Those feminists who had decided to engage in party politics in the state of São Paulo in the campaigns for the 1982 elections were either supporting the PMDB (Partido do Movimento Democrático Brasileiro) or the PT (Partido dos Trabalhadores). The PT was a more radical leftist party, with its roots in the "new labor unionism," while the PMDB represented a broad coalition of social democrats, communists and others (Barroso, 1991: 51). The feminists supporting the PMDB mainly came from professional or academic networks (Alvarez, 1989: 45–7).

During the campaigns for the 1982 elections in São Paulo a group of PMDB women proposed to install a State Council on the Condition of Women to "serve as an instrument for a global policy destined to eliminate the discriminations suffered by women" (Alvarez, 1989: 51). Almost all parties, including the PMDB, had incorporated in their campaigns the least threatening feminist demands in order to attract female voters (Hahner, 1990: 200). Subsequently, soon after having won the elections, on April 4, 1983, the new PMDB government of São Paulo established its version of a "female machinery." The purposes of the Council were: "to propose measures and activities aimed at defending women's rights, to eliminate discrimination against women, and to ensure their full insertion in socio-economic, political and cultural affairs; to undertake studies and research projects and to generate debate on the status of women; to incorporate concerns and suggestions emerging from society at large, and to give its opinion on denunciations channeled through it; and to support activities undertaken by government agencies and non-governmental organizations and to enter into agreements with related institutions and organizations" (Eluf, 1992: 200).

The tasks of the Council were advisory; it had no implementing powers. The Council had no budget of its own, and depended for technical and financial assistance on the civilian cabinet. The members of the Council included "representatives of civil society," mainly linked to the women's movement, as well as official representatives of various executive departments at the state level. The original Council had fifteen members, all of them affiliated to the PMDB (Alvarez, 1990: 199, 200).

The women's movement largely considered the first years of the São Paulo State Council on the Condition of Women as a success, despite the budgetary and organizational limitations and despite some concern with regard to engagement with the state and to the general representativeness of the Council. The Council addressed and made achievements in the fields of education, work, child care, health and reproductive rights (Hahner, 1990: 200).

The crucial role the Council played in the establishment of women's police stations (Delegacia da Mulher) in the state of São Paulo is most often cited as its major success. These women's police stations are entirely staffed by female personnel (police officers, investigators, jail-keepers, clerks), and process cases of rape, domestic violence and sexual abuse. The first women's police station was installed in August 1985 and it was so successful that by 1990 there were 41 such police stations in the state of São Paulo.[4] Feminists had raised the issue of violence against women for a long time. Although providing only a very partial and limited solution to this huge problem, the women's police stations helped to make this violence more visible, and represented both state recognition of its existence as well as state action in support of victims (Alvarez, 1990: 218; Eluf, 1992).

After the initial success of the São Paulo Council problems arose when in 1987 a center-right PMDB state administration headed by Orestes Quercia replaced the center-left PMDB government of Franco Montoro. Although the Council had become a permanent organ of the state government just before the change, its ability to act was greatly reduced by the new government. Quercia's attitude towards the Council was summarized by a staff member as: "leave the girls at the Council to their little games but don't give them any resources or real power" (Alvarez, 1990: 244). Quercia appointed 23 new councilors, of whom only 10 had any relation to the women's movement. As a consequence, the Council lost much of its credibility (Alvarez, 1990: 245). The transition to a new government marked the end of a phase in which the femocracy in the state of São Paulo had had a clear feminist outlook, both in terms of the people who occupied its posts and in terms of the contents of the policies it was able to promote.

The experience of the femocrats on the São Paulo Council illustrates some of the dilemmas facing technocrats in general. First, no matter their expertise, their influence is determined by their links to often more powerful political forces. The São Paulo femocrats could only act on their expertise as long as solutions were within the general ideological scope of the

ruling coalition. Second, the need to coexist with new administration caused São Paulo femocrats to lose much of their legitimacy *vis-à-vis* their social supporters.

The National Council on Women's Rights

In 1985 the federal government of Brazil returned to civilian hands, starting a period referred to as the New Republic. In August of that same year the National House of Representatives approved a Bill of Law founding the National Council on Women's Rights (Schumaher and Vargas, 1993: 454). Until the creation of this National Council, the federal state in Brazil had no specific policies directed at women, except for a few programs in the area of health (*ibid.*: 456). This was the reason why, at the moment of a democratic opening at the federal level, parts of the women's movement had pressed for the creation of a space within the state, from which they could create and influence such policies. The position of the women's movement on the creation of such a body again was not without controversy. Some, such as congresswoman Ruth Escobar, defended the proposal and actively lobbied for it, while others feared co-optation by the state and loss of autonomy for the women's movement (*ibid.*: 452–3).[5] Again, experts seeking to work in the state often face the disapproval of their colleagues who are concerned with the ability of such persons to operate within a new setting.

The Bill of Law founding the National Council on Women's Rights defined its purpose as "to formulate policies aimed at eliminating discrimination against women," which was to be done through "the formulation of directives, elaboration of bills of law, consultancy to the Executive Branch, issuing of expert opinions, monitoring of the elaboration and execution of government programs, and support for the development of research on women's conditions" (*ibid.*: 454).

The National Council diverged in some important ways from the São Paulo State Council. First, especially during the first few years, the National Council secured a relatively high budget[6], while the São Paulo State Council had never disposed of funds of its own. Second, the first National Council, presided over by Ruth Escobar, included women legislators from different parties[7] (contrary to the exclusively PMDB membership of the São Paulo State Council), representatives of civil society linked to the women's movement and academics specialized in women's studies. Together these personnel represented a solid and recognized feminist majority (Alvarez, 1990: 221).

The National Council on Women's Rights was attached to the Ministry of Justice. It was divided internally into an executive and a technical

directorate. Its committee work was mainly organized around the following themes: reproductive health, violence, black women, employment, legislation, child-care support, education and culture. The National Council also organized a forum of state and municipal councils, which met regularly and in which common strategies were discussed (Pitanguy, forthcoming: 12–14).

One of the most important and influential activities of the National Council in its early years was its campaign to include women's interests in the drafting of a new Constitution. This included the organization of a women's lobby. Soon after its creation, the National Council launched a campaign under the slogan "For the Constitution to Count, Women must be Heard."[8] In August 1986, the National Council sponsored a meeting which drafted a "Letter from Women to the Constituent Assembly,"[9] signed by rural women workers, liberal professionals, autonomous feminists and women linked to political parties, which was presented to legislators at the state and national levels. This letter has become a historical document, containing women's demands in the areas of family, employment, health, education, culture, violence, general principles, and vocational and international matters. The National Council closely monitored the work on the drafting of the Constitution through what came to be known as the "lipstick lobby." From a feminist perspective the lobby was successful in many respects.[10] For example, it secured the inclusion in the new Constitution of 120 days maternity leave (instead of the existing 90 days) against a heavy business and industrial opposition. The lobby was not only successful in what was included in the new Constitution, it also managed to block proposals that would be detrimental to women, for instance a proposal by pro-life activists to prohibit abortion even in those cases that were allowed for by existent legislation (that is, in the case of rape or where the mother's life is in danger) (Alvarez, 1990: 250–5; Pitanguy, forthcoming: 13–15; Schumaher and Vargas, 1993: 456, 457).

In 1988, the year of the promulgation of the new Constitution, the National Council on Women's Rights started to meet with strong opposition from the Ministry of Justice, to which it was attached. Originally, conflict centered around a Tribunal which the National Council co-organized in the context of the centennial of the abolition of slavery, which was to pass a fictitious judgment on the crimes committed against black women in Brazil. The Ministry of Justice opposed this activity. In 1989 a more conservative Minister of Justice was appointed,[11] who according to Jacqueline Pitanguy, the president of the National Council at that time "took on the task of reducing the NCWR's [National Council of Women's Rights] sphere of influence and action...Budget cuts of almost 72 percent, interference in its programming, attempts to dismiss personnel and appoint others, staff reductions, and threats, so that the agency trimmed its actions

by 80 percent (which was according to the Minister, proportional to the advances made on the women's question) were all employed to destabilize the NCWR and check its progress" (Pitanguy, forthcoming: 17). The Council members resigned collectively. The Minister named a new board, which was not identified with and recognized by the women's movement.[12]

In 1990, under the new Collor government the financial and administrative autonomy of the National Council was eliminated (Schumaher and Vargas, 1993: 457). Apart from not being recognized by the women's movement, the new National Council is not recognized by the Municipal and State Councils on Women, who have organized their own coordinating body instead (Pitanguy, forthcoming: 18; Schumaher and Vargas, 1993: 458). As was the case in São Paulo, a relatively short feminist phase (1985–9) of a specific femocratic institution ended with changes in the political context in which it had to function.

Femocrats in Brazil thus faced the common dilemma of either accepting an alien political direction, or losing their connection to power. In these cases, femocrats chose the latter. Their commitments to their social allies and their professional concerns made it impossible for them to continue working within the political system.

FINAL REMARKS

The relationship between feminism and the state in Brazil went through profound changes in the decade of the eighties. At the start of the decade feminists were still completely dismissing the state because of its authoritarian and military character. With the democratic openings of the early and mid-1980s the state turned into an ally to a great number of feminists, who had hopes and seized possibilities to carry out feminist politics from within the state. This (especially in hindsight) relatively short period of great hopes was followed by disappointments as to the scope the state provided for feminist politics. Many feminists no longer see the state as an appropriate partner in feminist politics; they turn to or establish non governmental organizations (Schumaher and Vargas, 1993: 459, 460).

In the Brazilian case, the possibility of implementing feminist politics from within the state bureaucracy seems to be limited to very specific moments of democratic opening. With the consolidation of the political situation this special momentum appears to have been lost. It is interesting to note that at least the first part of this story is also true for other countries. In Chile and the Philippines, the opportunity to institutionalize a place for women in the state also appeared in the context of a transition from an authoritarian government to a democracy (Goetz, 1995: 4).

Available data on femocrats in Brazil are almost completely limited to the two cases described above. Most of the literature on these two experiences is written from a feminist perspective, in many cases by women who participated in one of the Councils themselves. The strong links these two Councils maintained with the women's movement may have been a determining influence on their fate. In 1995 a new National Council with strong links to the women's movement was installed. To get a fuller picture of the Brazilian femocracy the study of other Women's Councils and institutions within the state, and of other periods, is of paramount importance. It would be instructive to see how these other Women's Councils, which apparently enjoy less credibility within the women's movement, are functioning; what their composition is, and what their goals and achievements are.

One of the major issues at stake in an overall study of the Brazilian femocracy would be the issue of expertise. Carmen Barroso attributes the political influence that feminists managed to achieve in some cases in the 1980s to two factors: their political legitimacy, acquired through their participation in the struggle for democracy, and – which is what I wish to stress here – their technical competence, in the sense of mastery of data on public policies and women's situation (Barroso, 1991: 52). In the cases we know of, that of the National Council and the São Paulo State Council, the input of feminist academics in the work of the councils was high. I think that an analysis which not only stresses their political commitment both to democracy and the women's movement, but also the specific expertise on women's issues of the members of these councils, might add to an understanding of the successes of these two councils. For other councils and periods it would be interesting to analyze what the input of academic expertise on women's issues – which in Brazil to a large extent is feminist inspired – has been. Without wanting to ignore the importance of the political context, this might even point to a means with which to ensure a more sustained feminist input in the various state institutions dealing with women's issues. The feminist movement in Brazil might be able to formulate a "politics of expertise," claiming, showing and using their specific knowledge.

The study of the femocracy in Brazil has shown that technocrats in certain fields may be a very temporary phenomenon, because their specific expertise, in this case on women's issues, is only allowed for, given space or even appreciated in very specific political constellations. Furthermore, it has shown some of the difficulties involved in maintaining close links between civil society, in this case the women's movement, and technocracy. The case of Brazilian femocrats indicates that we cannot analyze technocrats in a political vacuum, but must take into account the specific political constraints under which they work.

Notes

1. Thanks are due to Thanh-Dam Truong and Lenise Santana Borges for their help in finding materials.
2. In Brazil the number of female politicians elected at the national level is very limited. In the Chamber of Deputies in 1982, 9 women were elected, representing 1.9 percent of the total number of 479 seats. In 1986 there were 26 women, that is 5.3 percent of 487 seats, and in 1990 again 26 women, now representing 5.2 percent of a total of 503 seats. In the whole history of the Federal Senate only three women took a seat: one in the period 1979–82, and two women in the period 1991–4, representing 2.5 percent of a total of 81 seats (Instituto de la Mujer 1993: 109).
3. The terminology surrounding feminism can be rather confusing. For the purpose of this chapter I use the word feminism or feminist groups for those groups that struggle against women's subordination in society, and that in the majority of cases call themselves feminists. In Brazil, these are often – but not necessarily – composed of middle class, professional women. Women's groups are those which struggle for issues of concern to women, such as day-care centers or rising costs of living, but do not challenge the subordination of women in general. In Brazil these are mostly working class groups in the peripheries of the cities or groups of peasant women or rural laborers. The women's movement includes both feminist groups and women's groups.
4. The model of women's police stations was also copied by other Brazilian states: in 1989 there were 71 women's police stations in Brazil (Pitanguy, forthcoming: 13).
5. The fact these two positions were not always clearly separated can be read from the following description by Maria Aparecida Schumaher of the start of the National Council: "We disembarked in Brasília with our suitcases full of ideals and demands about the autonomy of the women's movement, and at the same time a conviction concerning the importance of gaining ground within the state as well as an awareness of the challenges and difficulties involved in this task" (Schumaher and Vargas, 1993: 454).
6. This budget reached the amount of one million dollars for its first three months of operation, which was a large allocation as compared to other smaller ministries or executive departments (Alvarez, 1990: 221).
7. These legislators came from PMDB and PFL, together forming the "Democratic Alliance," the political coalition that supported the new civilian government, and from the PT (Alvarez, 1990: 221).
8. "*Constituinte Pra valer, Tem que ter Palavra da Mulher.*"
9. *Carta das Mulheres à Constituinte.*
10. Jacqueline Pitanguy, president of the National Council from 1986–9, claims that 80 percent of women's recommendations were accepted in the new Constitution (Pitanguy, forthcoming: 13). As this number is not substantiated, I find it hard to judge its validity.
11. This appointment reflected the gaining of strength of conservative forces in the government of the then president Sarney (Schumaher and Vargas, 1993: 457).
12. In an interesting analysis Alvarez (1990: 247, 255) claims that the institution of the Women's Council in Brazil in certain ways has been detrimental to the women's movement in Brazil, for instance by stripping the movement of its best cadres or by monopolizing the lobbying process on the new constitution.

10 Technocrats and Politicians in the Democratic Politics of Argentina (1983–95)

Carlos Huneeus

INTRODUCTION

Are technocrats in charge of politics in Latin America today, and if they are, what difference does it make? Many technocrats are undoubtedly influential: some set economic policy, others administer it, while others help to define the political goals of government.[1] Today's political class is largely made up of economists, engineers, public administrators and lawyers. This is a radical change from the days when traditional political leaders rose from within party structures in a manner akin to the way Weber described "professional politicians" (Weber, 1970).

The short term influence of the technocrats is evident: a technical approach to adjustment policies in times of economic crises has had good results in many countries. But in the long run, once the crises are over and economies have begun to flourish, it is questionable whether technocrats will continue to exercise the same influence. What will the relationship between technocrats and politicians be then? What implications will the presence of technocrats have in the state apparatus and the political system? *The Economist* has pointed out that ministers of finance tend to be economists mostly in Third World countries. By comparison, this is the case in only two of the G7 countries."[2] Will the same thing come to pass in South America?

Once economic crises have been solved, technocrats face a complicated set of challenges. They must work within the context of new democracies in need of legitimacy. Such legitimacy must be forged on the basis of efficiency and effectiveness.[3] Overcoming underdevelopment and constructing solid institutions that can serve as the basis for citizenship and integration are among the challenges technocrats face. These tasks

threaten to undermine their partnership with politicians. Their different professional outlook and approach to solving problems is a divide that may undermine coordination.

Nevertheless, technocrats and politicians need one another. Technocrats need a political system where their policies will be viable, and politicians need to assure economic stability in order to attend to the many problems common in new democracies (cf. Paramio, 1993).

In this chapter I will analyze the political conditions that explain the success or failure of the technocrats. I will do so by focusing on the policies of economic adjustment and structural change pursued by the Alfonsín (1983–9) and Menem (1989-) governments in Argentina. These two administrations pursued policies similar in inspiration, yet radically different in outcome: failure under Alfonsín and relative success under Menem.

The Alfonsín team was led by Juan Sourrouille, the Minister of Economy, and a small group of collaborators that included Adolfo Canitrot and Mario Brodersohn. Such was the failure of their program that the ensuing economic crisis led to the defeat of Eduardo Angeloz (Córdoba Governor and Radical Party president) in the 1989 presidential elections, forcing him to step down from power a full six months prior to schedule.

This experience stands in sharp contrast to the relative success under the Menem administration. Domingo Cavallo, Menem's Minister of Economy, has led the large group of technocrats responsible for first overcoming the economic crisis and then for implementing a plan to restructure the Argentine economy through institutional reforms, privatization, and trade liberalization, a plan which is radically altering the relationship between state and society.

Comparing the similarities and differences between these experiences will lead to a better grasp of the factors which explain the scope and limits of technocrats' influence.[4] A close look at the political conditions of economic transformations reveals important clues about their sense and rhythm. It is impossible to understand the economic policies applied in Great Britain in the 1980s, for instance, without understanding the political motivations and logic behind Margaret Thatcher as Prime Minister. Privatization as a policy was pursued not simply for its economic rationale, but to a great extent in order to break the electoral base of the Labour Party and consolidate the power of the Tories (cf. Dobek, 1993).[5]

FOUR GENERAL CONDITIONS FOR THE SUCCESS OF THE TECHNOCRATS

The analysis of the political conditions for the success of the technocrats must be centered on two different sets of questions. The first has to do

with the adoption of strategies for economic change developed and implemented by technocrats. Since the 1970s such strategies have been the norm, but prior to that time they were rarely adopted in Latin America. Consequently, it would be a mistake to limit the political analysis of the experience of technocrats to the decades of the 1980s and the 1990s. The scope of such an analysis must be broadened to include the few cases which anticipated the norm, such as the government of Eduardo Frei Montalva in Chile (1964–70), which put technocrats in charge of economics and agricultural policy.[6]

Second, it is necessary to know which conditions help to explain the results: the success or failure of the policies for economic change devised by the technocrats. A strictly economic analysis reveals the policies that were used and offers a means to measuring their success, but such studies do not always explain why the policies have failed. There is an assortment of political variables that can help to explain the success or failure of the economic policies, for example, the type of majority in congress or the government's cooperation or conflict with the labor unions. Moreover, the success of the technocrats cannot be measured only in macro-economic terms, but must also be considered from the perspective of their contribution to the political success of the government as expressed in elections. Incredible macro-economic goals can be reached and still not meet with public approval. This was the case with Frei Montalva in 1970, when the presidential candidate of the Partido Demócrata Cristiano (PDC), Radomiro Tomic, came in third (Huneeus, 1980). Conversely, unfavorable economic indexes do not necessarily imply political doom, particularly when the political leaders are capable of convincing the electorate that the country is nevertheless headed in the right direction.

The decision to adopt a technocratic strategy for economic change supposes certain conditions that are not always true. Ideally, a team of economists with a program of coherent policies for short and long term changes ought to be backed politically by the head of the government. But political backing is never as simple as it might seem. This is borne out by the fact that even authoritarian regimes, with the exception of Pinochet in Chile and Franco in Spain, have typically not enforced such programs decisively. In each of these cases, the government's decision to back the technocrats's plans for economic change is best explained by the desire to legitimize authoritarianism on the basis of the regimes's efficiency and output.[7] Hence, Francoist Spain's "plan for stabilization" which was begun in 1959 is generally associated with those who, like Laureano López Rodó, directed the plan from the seat of the government, and not with the economists who designed it. Under Rodó's tutelage – he was a lawyer and an expert in administrative law – the plan came to form part of a strategy for

legitimizing the regime which later came to include plans for the restoration of the monarchy (López Rodó, 1970, 1978; Powell, 1995). These ambiguities notwithstanding, it is possible to define the political conditions that explain the success or failure of technocratic policies for structural economic change in terms of four different yet complementary aspects.

First, it is important to note that economic change implies modifying the rules that regulate the economy as well as the way in which the state and individuals relate to each other. Consequently, certain changes in the legal system are necessary and this means that a majority of the Parliament must approve the new laws. Indeed, without a legislative majority, the government's capacity to implement economic change is greatly depleted; it is furthermore complicated by the compromises it must make with other political parties in order to gain their backing.

Second, economic adjustment and change affect labor conditions as well as salaries – readjustment of wages, liberalization of the labor market, reduction in the size of the state in order to reduce the fiscal deficit, etc. Accordingly, the government must negotiate with labor unions. This can take the form of corporate contracts or of "docile" leaders who will promise not to mobilize the workers against the plan, especially when the negative short-term outcomes of the plan impede seeing its long-term benefits.

Third, a cohesive application of policies is a necessary condition for the success of any economic plan. Hence, it is necessary for the government to have a team of technicians from various disciplines at its disposal, particularly economists, lawyers, engineers and public administrators. The highest positions of authority in the state's different ministries and agencies must be filled by these technicians, with appropriate coordination among themselves. Finally, these technicians must all be linked by bonds of common loyalty to the director of the economic team.

Fourth, the political leadership must support the economic team, entrusting it with the design and application of the program. But presidential backing proves still more important in the critical stages when it seems that there is no light at the end of the tunnel. Considered from within the government, presidential trust in the economic team assures team members that they are able to act with freedom, that is, with freedom from internal restrictions and controls and the complicated mechanisms of decision making which so often complicate work. Considered publicly, it means creating political conditions that are favorable to the team's work. This last point, in particular, is extremely important. Presidential leadership of a program for economic change can either make or break its success. It can hinder governmental backing from dying off in times of sudden crisis and as a result avoid greater economic and political complications. Presidential leadership, in this regard, could mean certain institutional changes such as allowing the president to be reelected in order to assure the continuity of the technocrats involved in implementing the program.

The analytical differentiation of political factors I have just outlined is especially pertinent insofar as it provides a methodological distance from the hyper-elitism inherent to certain studies of the political role of technocrats. Typically, such studies attempt to explain everything in terms of the labor and thought of the economic team's leader. The hazards of hyper-elitism are also present in various different studies on the transition to democracy where the transition itself is explained in terms of the conflicts between the "hawks" and "doves" of the authoritarian coalition (see Bermeo, 1990: 361–3; O'Donnell *et al.*, 1986). Indeed, hyper-elitism induces some authors to simplify the reality of transition and to explain political changes on the sole basis of the decisions made by a small group of people affiliated either with the government or with the opposition.[8] It is not incorrect to study the role of certain key players, but the model for analysis ought not to be one of elitism but one of leadership. The problem is that, when it comes to studying the role of leaders, there are not many analytical resources at our disposal. Of course, one could speak in terms of charismatic leadership, but charisma, as is only too well known, is rather the exception than the rule. As an analytical concept, charismatic leadership has a limited field of application (Bergsdorf, 1988).

Certainly the conditions for successfully adopting and applying a technocratic policy of structural economic change differ from authoritarian regimes to democratic ones. Notwithstanding those differences, it is possible to make certain generalizations on the basis of a broad empirical grounding not limited to the study of one type of political regime (Sartori, 1994). In an authoritarian regime making decisions and implementing policies is simpler than in a democracy since conflict is, here, regulated by a hierarchical-authoritarian strategy and not by means of a strategy of majority or proportion, to use Lehmbruch's (1967) terminology; opposition always comes from within the governing coalition and, as such, can only become a "semi-opposition" (cf. Linz, 1973). In a democracy, the decisionmaking process is considerably more complex given the separation of powers and the legal status enjoyed by the opposition. Here, the opposition has recourse to a wide range of institutional resources as well as to public opinion and the potential to mobilize organized workers.

On the other hand, it would be a mistake to underestimate the complexity of authoritarianism. With the exceptions of Franco in Spain in the 1950s and Pinochet in Chile in the 1970s there have been no other cases of

"new authoritarianisms" that have successfully undertaken a profound economic change (Collier, 1979). The plan for stabilization in Francoist Spain involved serious ministerial changes and required that the inside members of the governing coalition be educated and prepared for those changes. Franco, who "despised liberal economics as much as any other aspect of liberalism" was chief among those who had to be converted (Payne, 1987: 470). This plan was instigated gradually, not only in its measures, but in the appointment of new people to the principal offices of the state apparatus. It achieved coherency when in 1962 the elderly Army general-engineer Joaquín Planell left the Ministry of Industry and was replaced by the naval engineer Gregorio López Bravo; similarly, in 1962 Laureano López Rodó was assigned to direct the Comisaría del Plan de Desarrollo and in 1965 he was given a ministerial position with which the coordination of economic policy came to rest in his hands (Tamames, 1975: 513). The effects of that transformation on the economy, the society and politics of Spain proved to be so profound that Stanley Payne has concluded that "the real Spanish revolution was not the defeated struggle of 1936–39 but the social and cultural transformation wrought by industrialization of the 1960s and 1970s" (Payne, 1987: 483).

THE FOUR CONDITIONS IN ARGENTINA

These four political conditions can help to explain the different outcomes of the technocrats' work under the governments of Raúl Alfonsín and Carlos Menem. First, Alfonsín did not have access to a majority in both houses of parliament. Menem, by contrast, did have majority support in both houses of parliament, and this permitted him to influence legislation with greater efficiency and dispatch. Second, Alfonsín did not enjoy the support of labor organizations. Menem, by comparison, as the leader of the Partido Justicialista was able to count on syndicalist support, especially after the breakdown of the more radical sectors of criticism. Third, Menem's team was more cohesive and efficient than the one headed up by Juan Sourrouille. The political weakness of Sourrouille's team was made manifest not only in relation to the state apparatus but in relation to the President's party as well. Fourth, Alfonsín only partially delegated power to his economic team. Menem completely entrusted Cavallo with the work of economic policymaking and he set no visible mechanisms of control or checks on Cavallo's power. The following pages look at these difference in greater detail.

Government with a narrow majority and government with an ample majority

The *Radicales* did not expect the triumph they achieved in October of 1983. *Justicialismo* was historically more powerful, especially because of its strong labor union movement which did not wane during the military regime of 1976–83. However, an Alfonsín *coup de grâce* during the electoral campaign of April 1983 put *Justicialismo* on the defensive. Alfonsín publicly denounced the existence of a pact between those who believed themselves to be "the patrons of the worker's movement" and "a military leadership committed to the country's demise." These words, pronounced in the heat of a discussion, were then ratified and developed at a press conference that had a tremendous impact on the nation.[9] Alfonsín believed that he had sufficient reason to try to dismantle the power of the labor unions. He did not consider them to be democratic and suspected that they were under the control of a few bosses who had also been at their head since before the military regime. That is, the labor unions were under the control of a leadership who had eliminated union elections. This confrontation with labor unionism, however, created tensions with the *Peronistas* whose opposition to the new government was intransigent. Alfonsín's *coup de grâce* led to his election, but it did so at the cost of estranging the new government from many of the political resources and options it would require to govern effectively. Alfonsín's electoral triumph was not mirrored in the parliamentary elections where the Unión Cívica Radical (UCR) won a majority in the House of Representatives but not in the Senate. As such, Alfonsín was forced to negotiate with the provincial Senators who demanded a high price for their cooperation.

By contrast, in 1988 Menem, having first won over the *Peronistas*, indisputably triumphed over the UCR's presidential hopeful, Eduardo Angeloz. Moreover, Menem's triumph was helped by the economic crisis that Alfonsín's failed economic plan had provoked. The triumph permitted the Partido Justicialista (PJ) to control both houses of parliament, in addition to controlling a vast number of provincial governments. Menem's economic team had, as a result, considerably more political resources and options at its disposal than did Alfonsín's.

The difference in policy concerning the labor unions

Alfonsín's electoral offensive gave the labor unionists a pretext for adopting a policy of frontal opposition to the UCR's government; this was

something of a throwback to the struggle between the *Radicales* and the *Peronistas* that characterized Argentine politics during the 1960s and 1970s. The labor unionists' strategy was not unlike that pursued against President Frei Montalva from 1964 on by the Socialist Party in Chile who sought to deny the President "his salt and water."[10] Alfonsín had to contend with 13 general strikes and a total of more than 4,000 strikes in diverse sectors of the economy which were driven by demands for increases in salaries. These strikes weakened his plan for economic stabilization at the root (Grewe, 1994: 94). Four of them were instigated by the Confederación General del Trabajo (CGT) in 1985 at the same time that Sourrouille's team was beginning to implement its economic program known as the *Plan Austral*.

The policy of adjustment intended to control inflation assumed the cooperation of the labor unions in two ways: in an economic sense, it supposed the labor unions would approve salaries that were compatible with a policy of stabilization, and in a political sense, it assumed that the labor unions would cooperate given their tremendous economic power. That power was represented by such "social works" as the worker's health system (hospitals, assistance centers, etc.) and by a great number of hotels and vacationing centers for workers. Given that the military regime did not interfere with these services, the directors of the labor unions could use them as a base of enormous economic and, ultimately, political power.

Alfonsín, confident that his electoral triumph would permit him to construct a new "historical movement" that would surpass *Peronismo*, confronted the *Peronistas*. The first legislation he tried to push through Congress aimed at democratizing the labor unions and diminishing their control of the "social works." The proposal came from a traditional sector of the Unión del Centro Democrático (UCD) – the so-called "históricos" – which had fought for decades against *Peronismo*, which this sector believed to be anti-democratic. The syndicalist reform did not prosper. The Senate, where the UCD did not have a majority, did not approve it. More to the point, however, is that its actual outcome was opposed to what had been proposed. The syndicalist movement, organized and united under the CGT, strengthened its opposition to the Alfonsín government by rallying behind the more radical sectors of the CGT as represented by its president Saúl Ubaldini (Acuña, 1995: 83).

This was not the only blunder in relations between the government and the labor unionists. Alfonsín listened considerably to the youngest sector of the UCR who had organized themselves into the Junta Coordinadora Nacional or the National Council of Coordination (Herrera, 1985; Díaz, 1987). This group had a more pragmatic approach to syndicalism than the

históricos or traditionalists. The Council believed that it was possible to reach an agreement with a sector of the syndicalists on the basis of certain compromises. But this weakened and divided potential allies. The council coordinated its strategy with the most conservative syndicalist wing, represented by the leader Lorenzo de Miguel. The result was a "Program for the Sincerity of Wages" which permitted the labor unions that were most willing to cooperate with the government to pact wage adjustments above the level established by the *Plan Austral* (Acuña, 1995: 216). This agreement was widely accepted by the labor unions. By June 15, 1986, or one year after the instigation of the *Plan Austral*, more than 50 percent of the country's active population was receiving "sincere" wages. This fact ran contrary to Alfonsín's claims that the economic plan would not be subject to flexibility.[11] This political agreement was not coordinated with the economic team which obviously criticized it but was nevertheless unable to avoid it (Acuña, 1995: 219). When some months later inflation surged, Canitrot attributed its rise to the impact that "sincere" wages had had on the economy (*ibid.*: 222).

Consequently, Alfonsín's economic team found itself trapped between two burning fires: the *históricos* criticized its policies as neoliberal and the youthful members of the Council accused it of not doing enough to control inflation (*ibid.*: 223). As if this were not enough, the members of the team were also criticized, in particular by Angeloz, for not being affiliated with the party. Angeloz was not in favor of the populist measures agreed upon by the government with the Council and he believed that if the technocrats were to inscribe themselves within the UCR, things could be different (*ibid.*: 230). In 1987, the UCR suffered a devastating loss in the parliamentary elections. Neither the party nor Alfonsín would recover from that blow (cf. Morales Solás, 1993). Consequently, the failure of the *Plan Austral* was not due to technical difficulty but to the political difficulties created by the political mismanagement of policy regarding syndicalism (Machinea, 1993).

By comparison, relations between the PJ and the syndicalists were, in practice, much simpler and amicable. In this sense, Menem started off on a better footing than his predecessor. Moreover, Menem made certain that the syndicalist movement was headed by people who favored his government. During the *Peronista* primaries a number of syndicalist leaders joined to form a support group for Menem. It was called the *Movimiento Sindical Menem Presidente* or the Syndicalist Movement for Menem as President (MSMP). This sector would later take over the leadership of the CGT from Saúl Ubaldini. In the CGT convention of 1989, the *Peronista* syndicalists declared themselves to be "the backbone" of the political

system, and affirmed their support for Menem. The CGT split into two organizations, the CGT-Azopardo, headed by Ubaldini and those faithful to his leadership, and the CGT-San Martín, headed by the leaders of the MSMP (Grewe, 1994: 97). The latter accepted the economic policies of the government and became the principal syndicate. In November of 1992, having become the minority within the CGT, Ubalindi and his team wound up forming their own organization, the Congreso de Trabajadores Argentinos (CTA). The CTA, however, was not able to act with much force (*ibid.*: 104–5). The objective of Menem was to have a pliable syndicalist movement at his government's disposal and this aim was achieved. The syndicalists's critique of some of the government's reforms and even its strikes were basically a rhetorical gesture intended to maintain the cohesion and discipline of the movement and not real challenges to Menem's government. Consequently, Menem's economic team worked under better economic and political conditions than those under which Alfonsín's team worked. The deciding factor was the support of the syndicalist movement.

The differences within the economic teams

The UCR did not have a decent program for governance, nor did it trust its technocrats to take political responsibility for their policies (Torre, 1993: 79). A reading of *El Bimestre Económico* from 1982 to 1984 – a magazine prepared by academics tied to Alfonsín's political team – demonstrates that the government was more concerned with developing ways to denounce the military's "dirty war" than it was in developing programmatic proposals for governing the country. Menem, on the contrary, based his strategy on the belief that his electoral success stemmed directly from the failures of the Alfonsín government and for this reason he made certain that his government had alternative proposals to make and that it could count on a team of technocrats capable of carrying out those plans.

Alfonsín's government followed the traditional economic ideas of its party, which closely followed the ideas developed by Raúl Prebisch in the UN Economic Commission for Latin America (ECLA) (cf. Rouquié, 1975). For Prebisch, it is the state that ought to be the principal motor behind development. Alfonsín named Roberto Grispún, a militant of the UCR and old collaborator of his, as Minister of Economy. He put together an economic plan which proved incapable of overcoming the economic crisis left behind by the military regime. Moreover, Grispún angered the international financial community by taking a polemical stance on Argentina's foreign debt. The government erroneously banked on its clout

as an emerging new democracy, assuming that the promises made by the Europeans and North Americans to support the new government would automatically translate into favorable conditions for facing the problem of Argentina's foreign debt.

In the beginning of 1985 the economic situation worsened and in February Grispún was replaced by Juan Sourrouille. Sourrouille brought a team of renowned economists with him to the Ministry of Economy. Sourrouille came into office at a time of economic crisis. Also, the war that the syndicalist movement had declared against Alfonsín's government was gaining impetus. His main problem, however, was that he was not entrusted with the same powers that his predecessor had enjoyed.

There are two examples that illustrate this point perfectly. The first is the fact that the president of the Central Bank was not named by Sourrouille but by Alfonsín, who named a public accountant, Alfredo Concepción, to that position. Unlike Sourrouille, Concepción shared Alfonsín's and Grispún's traditional ideas on the economy. For Sourrouille this became an additional problem as it limited his ability to control the direction of the economy. It should be noted that while Grispún was Minister of the Economy the Central Bank was under the direction of a technocrat, García Vásquez, who was less in tune with Grispún's traditional thinking than with Sourrouille's alternative ideas. As a result, Grispún also had occasional troubles with the Central Bank. The second example was, at least in symbolic terms, more serious still. While Grispún had been Minister, Sourrouille had been the Secretary of Planning. When Sourrouille became Minister, Alfonsín appointed Grispún as Secretary of Planning. As Secretary, Grispún acted as direct advisor to Alfonsín. Acuña holds that this situation not only weakened the cohesion of the economic team, but also kept Alfonsín paradoxically informed on the state of the economy (Acuña, 1995: 178n).

The *Radicales* looked upon all who were not members of the party with suspicion. This also affected the Minister of Foreign Relations, Dante Caputo, but in his case the effects of that suspicion were not nearly as severe because Alfonsín trusted him and allowed him complete freedom to act. But in the economic field the government and the economic team were at cross purposes.

These tensions between technocrats and party politicians is not necessarily a rule of thumb in Latin American politics. For example, under the government of Patricio Aylwin in Chile (1990–94) such tension did not arise. The PDC, a party with thousands of affiliates and with a strong local organizational base that was nationwide, had a long tradition of cooperation between politicians and technocrats. The PDC gave technocrats ample

space within which to develop their activity according to party parameters. In this way, the technocrats were able to achieve a high degree of political legitimacy.

Patricio Aylwin, who was a professor in administrative law, had intimate links to technicians, as much to economists as to lawyers. He appointed Edgardo Boeninger, the ex-rector of the Universidad de Chile, an economist, engineer and political scientist educated at Berkeley and member of the Asociación Chilena de Ciencia Política, as General Secretary to the President. Boeninger had been adjunct vice-president, under Gabriel Valdés, of the PDC between 1982 and 1987. He was later appointed as vice-president under Aylwin. Boeninger had also directed a center for studies, the CED, where he developed an intense program of seminars with social and political leaders. These seminars served as the basis for the political agreements that characterized the transition from the dictatorship to democracy (cf. Puryear, 1994: 92–5). Alejandro Foxley, who was the leader of the economic team, was successfully elected in 1986 by the party's National Council as a member of the party's national committee. This was possible because his academic work at CIEPLAN, which he directed and organized from 1976, not only developed research programs designed to critique the economic models of the dictatorship, but also played a crucial role in publicly opposing the perspective of the Chicago Boys within the limits permitted by the dictatorship for such debate (P. Silva, 1991). In fact, he offered his seminars and courses at a national scale and included study programs for labor union leaders. By focusing his programs on the opposition, he helped set the base upon which Aylwin would later celebrate corporate agreements among the government, the labor unions and the business class. These pacts were decisive in the fight against inflation as well as in creating conditions for peace the country had not known before.[12] Consequently, Foxley's political legitimacy within the PDC, as well as in terms of public opinion, was unquestionable. This also explains why after leaving the government he was elected, in a direct vote, as the PDC's president.[13]

In the case of Menem, the decision to correct the orientation of the Argentine economy was taken from the beginning. This was a point he had already argued in the internal wars of the Partido Justicialista (PJ). Menem appointed Roig-Rapanelli, an executive of one of Argentina's principal economic groups, as Minister of the Economy. A few weeks later Roig-Rapanelli died. Menem then appointed his friend and ex-Minister of the Economy of La Rioja, Erman González as Roig-Rapanelli's replacement. González sought to liberalize the economy but his strategy failed. In the beginning of 1991 Cavallo, who had been active from the beginning of

Menem's government as Minister of Foreign Relations, took over the economy's management. As Chancellor he had prepared the basis for a liberal reform of the economy by normalizing the treatment of Argentina's foreign debt, reestablishing relations of trust with Argentina's creditors and by initiating the liberalization of foreign commerce.

As a *Peronista*, Menem was more successful than Alfonsín and his UCR zealots at inviting politically independent people to work with the government. This is explained, on the one hand, by the fact that *Peronismo* was more of a popular movement, still generally associated with the figure of Perón, than it was a party and consequently less likely to inspire suspicions and, on the other hand, by the fact that *Peronismo* lacked a broad technical team and simply needed help (Waldmann, 1993).

Cavallo, who was not a member of the PJ was elected as one of its representatives in 1987 and enjoyed, from that time on, relatively good relations with the representatives and directors of the PJ. As a representative he worked closely with the members of *Justicialismo*, collaborated in the preparation of bills sponsored in part by the Fundación Mediterránea de Asistencia Legislativa (PAL) which was backed by the CIPE (International Center for Private Companies) of the National Endowment for Democracy headquartered in Washington D.C. (N'haux, 1993: 319). Cavallo's legitimacy within the party would help him to pass the laws he required for transforming the economy.

Cavallo had attained national and international prestige as the director of the Instituto de Estudios Económicos sobre la Realidad Argentina (IEERAL), which was created in Córdoba in 1977 by that city's business leaders under the auspices of the Fundación Mediterránea. There, he drew together a distinct group of economists, who in large part had done their post-doctoral work abroad, with whom he developed and researched plans for the economy and strategies for implementing them (N'haux, 1993).[14] Cavallo's principal collaborators in the Ministry of Economy were also linked to his work as director of the IEERAL. His two closest collaborators in the Ministry, who had worked with him at the IEERAL, were Carlos E. Sánchez, who was appointed as Secretary of Commerce and Investment, and Juan J. Llach who worked as the Secretary of Economic Planning. Moreover, Cavallo appointed Roque Fernández, whom he trusted completely, as President of the Central Bank. This assured Cavallo that monetary policy would not be at cross purposes with his economic policies. Finally, he appointed Aldo A. Dadone, who had also worked with him in the Fundación Mediterránea, as President of the Banco de la Nación which like the Banco del Estado de Chile, is a credit bureau.

The Secretary of Commerce and Investment, Carlos Sánchez, once estimated that of the 150 economists who worked with the Fundación Mediterránea, 80 ended up working for the government under Cavallo.[15] Consequently, unlike the economic team that Sourrouille was restricted politically from using effectively, Cavallo was completely free to build a cohesive and homogenous economic team on the basis of his relations, throughout the years, with many technocrats.

The differences between the two presidents

The analysis of the role played by presidents in Latin America is very important because they function as both the heads of state and the leaders of the government. Moreover, the Presidency in Latin America is also linked to an historical tradition of personalizing power. Each presidential election is experienced as a fight among competing alternatives for the future. It is often assumed that with a new president, the history of the country in question will begin anew. I do not want to enter here into the ongoing debate concerning the weaknesses of presidential systems. Instead, my purpose is to analyze the different styles of leadership and to assess their influence on the work of the technocrats.

The first difference between Alfonsín and Menem has to do with their priorities. For Alfonsín, the economy was not the most fundamental issue. His primary concern was with politics. He believed that for the first time in its history, Argentina was in a position to consolidate its democratic institutions provided that the military problems provoked by the military defeat in the Malvinas/Falkland Islands could be resolved along with the serious violations of human rights committed during the military dictatorship (1976–83) by the forces of security and by the military (see Alfonsín, 1987). Although he never said so explicitly, Alfonsín considered that the economy ought to be subordinate to politics since unless the military could be tamed and justice brought to bear on those who violated the human rights of thousands of citizens, Argentina's chances for a stable democracy were nil. In this regard, Alfonsín was wrong. The economy was an important factor of instability.

Menem also had clear political objectives in view – to consolidate democracy – but he sought to do so on the basis of stabilizing the economy first. Economic instability had become the country's greatest obstacle to democratic stability. Yet in order to resolve the economic problems, the political problems had to be taken care of first. For this reason he decreed an amnesty for the members of the military *Junta* who had been condemned by the previous government.

The second difference has to do with each president's style of political organization. Alfonsín never completely trusted the technocrats under his government who were working on the economic question. He established mechanisms of control and channels of communication and information that weakened the efficiency of the technocrats' work. Menem, on the contrary, completely trusted Cavallo and made it a point to clear away any and all political problems that could impede his plans for economic transformation.

When a President trusts his collaborators he can delegate responsibility and create possibilities for each one to act with full autonomy. Under such circumstances the President's collaborators can also count on greater institutional support and resources than when trust is limited.[16] This was not insignificant in Argentina where the state apparatus had been traditionally limited to a few ministries and where the Ministry of Economy, in particular, has been extraordinarily powerful, covering areas that in other countries, such as Chile, are typically assigned their own ministry (e.g. Federal Income and Finance, Agriculture, Public Works, Transport, Industry, Commerce and Mining). In Argentina, all of these are headed by secretaries who report to the Minister of the Economy.[17] It is for this reason that the Minister of the Economy has the ability to put forth coherent measures without needing to expend time and energy in complicated negotiations with other ministries.

Alfonsín, who had had no prior experience governing – he had not even been a minister nor a provincial governor nor a representative in parliament – privileged the interests of the party, over which he maintained control (Morales Solás, 1993). I have already discussed how the two sectors of the UCR – the "*históricos*" and the "Council" – had pursued policies concerning the labor unions that ran contrary to the policies of Sourrouille. Moreover, Alfonsín tried to control his economic team's work and he also kept certain people whose views were contrary to Sourrouille's either in his cabinet or in the Central Bank. This situation led to Alfonsín receiving contradictory information in the face of which he did not know how to react.

Menem, by comparison, did have prior experience in government – he had been the Governor of La Rioja – and he gave Cavallo complete autonomy and had no trouble placing the management of the economy in the hands of a numerous and highly qualified team of technocrats (cf. Frediani, 1993: 93–4). This was the case not only because Cavallo had personal relations with Menem prior to Menem's government, but because Cavallo had previously worked in the Congress, especially with the Economic Commission (Santoro, 1994: 169ff).

Menem made it a point to create institutional bases for the continuity of the economic program. He did so by forging agreements with the UCR. It was through these agreements that the figure of the "Chief of Staff" was created. This figure was responsible for managing economic issues, which it was thought might limit Cavallo's enormous power. As such, Cavallo became the number two man under Menem and the Minister of the Interior who was also the "Chief of Staff."[18] Menem was able to win the elections of 1995 despite the existence of certain unpopular economic indexes – a high rate of retirement among public officials and a decline in salaries – and the split that was brought about among the *Justicialistas* by the resignations of José Octavio Bordón and "Chacho" Alvarez, who became respectively the left's candidate for President and vice-President in representation of the Frente de un País Solidario (FREPASO).[19] In protest, the leftist sector split with Menem and criticized Cavallo's economic policies.

Yet despite internal opposition, Menem pursued his political goals and Cavallo was free to continue developing and implementing his economic plan. Cavallo's brilliance is often celebrated, but his project would not have been possible had it not been for Menem's political leadership.

CONCLUSION

The policies of structural economic adjustment and change pursued by technocrats in Latin America are well-known and do not differ drastically across the region. There may be differences in the pace of change, but the plans themselves are quite similar. This is due in part to the fact that Latin American technocrats share a comparable academic and professional outlook, and many maintain informal relations with each other. This not only helps to encourage an open exchange of information and experience, but also expedites the task of transforming the economy.

The results achieved by technocrats do differ from one country to another, however. These differences exist despite a common political regime in most countries – presidentialism – and despite the fact that many of the economic problems in the region are common to all countries (see Haggard and Kaufman, 1992, 1995; Haggard and Webb, 1994a). Economic policy alone does not explain these differences. Instead, one must focus on the political factors that provide the context within which economic policies are pursued. Some of the factors that I think help to explain the different outcomes include differences in the levels of popular support for the government, in the internal organization of the administration, in the type of relationship and strategy pursued with the labor unions,

and in the degree to which the President himself is involved in fights against inflation, unemployment, and poverty. All these factors are also played out within the broader context of political systems trying to become more pluralistic after military domination. This list is not exhaustive, of course, but I think it is at least broad enough in scope to warn analysts not to fall into the trap of monocausal or reductionistic explanations, such as highlighting the role of one particular actor or the shift from one type of regime to another.

My argument is not that the economy does not explain the success or failure of structural economic changes. What I have wanted to demonstrate is that certain political conditions help explain why the economic policies of Alfonsín's government failed and why those of Carlos Menem have succeeded. Notwithstanding the significance of the technocrats's program, politics as a factor is enormously important in explaining change within the economy. Pinochet's decision to bank his regime on the success or the failure of the Chicago Boys' program in Chile is but one example.[20]

The quantity and quality of the technocrats who are in positions of power definitely influences the success or failure of structural adjustment policies. But technocrats alone do not determine that outcome. Political support – the confidence the executive has in his economic team as well as his ability to prepare the ground for them to allow them to work in relative autonomy – is crucial for success. One cannot explain economic changes without reference to technocrats, of course. But without the political factors I have discussed in this chapter, presidential support in particular, technocrats would indeed not go far.

Notes

1. I would like to acknowledge the support that the Volkswagen Foundation of Germany has given my research project "La transformación política y económica en Chile: Un estudio de caso en perspectiva comparada" as well as permitting me to reproduce, in this piece, much of the information compiled in that study and particularly the interviews I carried out in Buenos Aires with members of the economic team and of various centers of study. I also appreciate the comments of those who participated in the Amsterdam conference, especially those of Miguel Angel Centeno and Patricio Silva. Naturally, I am the only person responsible for the opinions expressed in this paper. I want also to thank Christopher Britt Arrendondo who translated this essay from Spanish. He is a PhD Candidate with the Department of Romance Languages and Literatures at Princeton University.
2. *The Economist*, August 14, 1993, p. 63.
3. For a definition of legitimacy on the basis of efficiency and effectiveness refer to Seymour Martin Lipset, who recently reelaborated these concepts in

a revision of his classic article of 1959 (Lipset, 1993). Also pertinent is the classic work of Dankward Rustow (1970) on the transition to and consolidation of democracy.

4. For an analysis of this comparative method see Lijphart (1971, 1975).
5. For a schematic political analysis of privatizations see the excellent article of Feigenbaum and Henig (1994). For a history of the economic ideas that led to the liberal thought of Margaret Thatcher see Cockett (1995).
6. Refer to the interesting book written by Sergio Molina who was the chief of the technocrats working under the Eduardo Frei government (Molina, 1972). Explaining his experience of failure at attempting to control inflation, Molina concludes: "Technical measures are always clearly discerned, but the political possibilities to implement them seem always to be distant" (*ibid.*, p. 99).
7. I have analyzed this point in the case of Chile in Huneeus (1985a).
8. In studies on Spain's transition to democracy it is rather common to simplify the explanation of the change in regime in terms of the negotiations among Adolfo Suarez, the president of the Government, Santiago Carrillo, the president of the Communist Party, Felipe González, the general secretary of the Partido Socialista Obrero Español (PSOE) and King Juan Carlos. See, for example, Gunther (1992).
9. The text of the declarations made during the press conference is reproduced in *El bimestre político y económico*, 9 (May–June, 1983): 92–3.
10. The pretext used by the socialists in Chile also had its source in the complications of an electoral campaign. Due to the triumph of a leftist candidate in a complementary election in a rural district – the "*naranjazo*" – the right withdrew its support for its own candidate, who was a member of the Radical Party, and backed Eduardo Frei instead in order to avoid the triumph of Salvador Allende. This resulted in a savage campaign of terror against the left, in which the candidate of the PDC played no part.
11. *Clarín*, June 16 and 17, 1986, cited by Acuña (1995: 236).
12. This program was directed by the economist René Cortázar, who would become the Minister of Labor, at the Centro de Estudios Laborales Alberto Hurtado (CELAH), a private institution which was independent of CIEPLAN with which Cortázar was also affiliated.
13. Eduardo Frei Montalva has always had a close relationship with many ECLA economists. His economic program for the 1964 presidential elections was prepared by a select team of economists, under the direction of Jorge Ahumada, one of the leading Latin American economists in the early 1960s. The "technocrats" had a strong presence in Frei's government. During his government, the economic team was led by Sergio Molina, an independent economist who by then was Dean of the Faculty in Economics at the Universidad de Chile.
14. On the relations between Cavallo and *Peronismo* see Santoro (1994). Cavallo's economic thought can be found in a number of books and articles of the magazine *Fundación*. See also Cavallo *et al.* (1989).
15. Interview with the author, September 1994.
16. I have developed this point with regard to Patricio Aylwin's in Huneeus (1985b).

17. The other traditional Ministries have been: Foreign Relations; Justice; Labor; Health and Social Action and, finally, Education and Culture. The number of Ministries was fixed in the 1853 Constitution.
18. The reform of the Constitution stresses that a new law of ministries will limit the number of ministries and their function. See Dromi and Menem (1994).
19. Menem attained 49.8 percent of the votes; the FREPASO got 29.2 percent and the UCR's candidate, Horacio Massaccesi, only 17.1 percent. The PJ increased its number of representatives in Congress from 125 to 137, having obtained 23 percent of the votes. The *Peronistas* won 9 of the 14 provincial governorships, including Buenos Aires which Eduardo Duhalde won with 52 percent. Duhalde had been Menem's vice-president. The enormous distance between Menem and the PJ in the elections demonstrates the electoral success that Menem enjoyed. See *Keesing's Report of World Events 1995*, pp. 40544–40545.
20. For an excellent study of the Chicago Boys see Valdés (1995). For information regarding resistance to and the differences within the authoritarian coalition concerning the policies of the Chicago Boys, see Fontaine (1988).

11 Technocracy *a la Mexicana*: Antecedent to Democracy?

Roderic Ai Camp

INTRODUCTION

Any discussion of technocracy and technocrats in the Latin American context these days must face head-on the ambiguities and contradictions inherent in their conceptualization. Because social scientists and policymakers are those most interested in these decisionmakers, a strong tendency exists to suggest that these individuals emerged Phoenix-like from the region's disastrous economic and political crises of the 1980s. Yet, depending on how one characterizes this political type, a long-standing historical antecedent of the *técnico* can be found in Mexico and, I suspect, throughout Latin America. Technocrats also have roots in other cultures, such as the mandarins in ancient China, and are subsumed under the larger issue of the rapid expansion of knowledge workers, particularly the intelligentsia, in nineteenth- and early twentieth-century Europe (Bruce-Briggs, 1979).

A central argument in the debate in the literature over conceptualizing technocrats, and in many of the essays in this collection, focuses on what might be called the philosophical versus the methodological.[1] Those scholars who define technocrats as a peculiar type of leader, pursuing a political agenda, typically have examined substantive cases in the Southern Cone. Two dominant features stand out in their interpretation: the linkage between technocrats and authoritarianism, and the equally strong connection between technocrats and neoliberal economic strategies. Although no single conceptualization of technocrats can claim intellectual superiority, I believe these two linkages, however appropriate to a given societal circumstance, confuse the larger issues. Specifically, they have made it more difficult to ascertain the evolution, posture, and future consequence of technocrats.

A sharper picture of these political leaders can be pieced together from the historical record, suggesting that the two features described above are only recent characteristics associated with technocrats, and at best can be

described as regional variations, a species derived from a single genus. The advantage of historical perspective is that a chronology of characteristics can be readily established, and that the connections among those characteristics, as well as their rationale, are more easily discerned. Collectively, they shed considerable light on descriptions of a contemporary version of the same political animal.

The Mexican case is quite revealing, and although it is characterized by some unusual peculiarities, it offers many generalizations applicable to the region and elsewhere. Mexico suggests at least nine broad qualities identified with the emergence of the technocrat. These can be summarized as:

a) The influence of formal knowledge in political culture, especially the demand for higher education.
b) The institutionalization of political leadership, specifically the role of the executive branch.
c) The impact of the presidential system in the Mexican polity.
d) The supremacy of civilian over military political leadership.
e) The growth and prestige of professionalism in all facets of society, notably in public life.
f) The demand for economic skills to administer and solve complex public policy issues
g) The evolution of a pragmatic versus an ideological leadership.
h) The importance of national, as distinct from provincial, politicians.
i) The increasing influence of foreign ideologies and socializing experiences.

As will be evident in the following discussion, these variables are strongly intertwined, and the logic for one overlaps in explaining another's importance. The most significant and broadest of these qualities is the importance formal knowledge plays in political life. In other words, the degree to which political culture, and individuals who govern, value formal training and intellectual experiences in an established, institutional setting (Eulau, 1977).

THE RISE OF FORMAL KNOWLEDGE

Politicians, like any professional group in contemporary society, emerged originally on the basis of their personal talents and skills. In other words, regardless of what motivated individuals to become politicians (personal ambition, ideology, public service, etc.), they succeeded because of their ability to manipulate others. In many societies, politicians required

specialized skills, for example, the ability to use violence to achieve political ends, suggesting that success on the battlefield, as a leader of armed men, often determined one's access to power and means to remain at its apex.

From an historical perspective it became increasingly difficult for individual men of arms to sustain themselves as the costs alone transferred supremacy over force of arms to the state (Lieuwen, 1968; Lozoya, 1970). More importantly, as intellectual debate widened in the political arena, political talents, including inter-personal and communication skills, increased in value, and those who boasted such abilities put them to use, including controlling peers who showed greater talents in the application and abuse of force.

In Mexico, most national political leaders, as early as the mid-nineteenth century, were highly educated. It is well worth looking at the two leading figures of Mexico's past century: Benito Juárez, often referred to as Mexico's Abraham Lincoln, was the architect of the Constitution of 1857, and an intellectual antecedent to significant features of today's Mexican variant of political liberalism; Porfírio Díaz, noted Liberal general who defeated the French, seized the presidency through violence and held on to it consecutively from 1884 through 1910. The briefest discussion of these two major figures exposes two qualities: Juárez was the only indigenous person to reach the presidency, and Díaz was a military man.

The deeper truth is that both figures were products of one of Mexico's poorest states, Oaxaca, that both were highly educated in absolute terms and relative to their peers, that both completed legal studies (Díaz never completed a thesis or received certification) at the same university – the Institute of Arts and Sciences of Oaxaca – and that both actually were part of the academic world, Juárez as a professor and administrator, and Díaz as a librarian. The point of this brief comparison is that at a time when fewer than 10 percent of the population were literate, the two men who largely determined Mexico's future during the entire second half of the nineteenth century, whose consequences crafted the political fabric of the first half of the twentieth century, were college educated (Camp, 1991).

It can be argued for a variety of reasons that Mexican society, and the leaders it produced, even immediately after independence from Spain, valued formal, higher education.[2] This emphasis, in the Mexican case and throughout much of Latin America, was an essential ingredient in the prevailing political philosophy of the day: positivism.[3] Although I want to draw attention to the linkage between positivism, formal education, and technocracy, all are part of a much broader trend throughout Western civilization: the increasing importance of knowledge, and of those who

possess and control it. What is interesting about Mexican positivism is that it specifically expresses the connection between governance, public policy, and education. Indeed, it set in motion, during Benito Juárez's political tenure, the creation of a National Preparatory School, whose specific purpose is to educate Mexico's future leaders. These individuals were to be instructed in the accepted intellectual views of the day, ideas based crudely on "empirical" thought, not outmoded religious superstitions.[4]

The products of this national educational system and its regional variations, including the very school which molded Juárez and Díaz, in the 1860s and 1870s produced a specific variant of Mexican leaders, the *Científicos,* who came to dominate political leadership in the 1890s and 1900s. This group shares many features with the contemporary *técnicos.* For example, they were highly educated, they were upper-middle-class in social origin, they were prominent professional men, and their representatives came to dominate the "technical" agencies of their era: treasury, industry and commerce. They too, as an identifiable group, were described as engaged in a power struggle against the "traditional" politicians surrounding Díaz.[5]

When Porfírio Díaz began his second presidential administration in 1884, only 58 percent of his collaborators were college educated. Just 17 years later, in his 1901 administration, that figure reached an astounding 91 percent. That percentage is so unusual that it was never duplicated again in Mexican public life until the Carlos Salinas de Gortari administration (1988–94) (Camp, 1995: 84ff). The extraordinary reversal in leadership trends which were well established in nineteenth century Mexico is explained by the impact of the 1910 Revolution, which altered the social origins, institutional credentials, and career experiences of Mexican politicians.

INSTITUTIONALIZATION

The second component essential to the rise of technocrats, regardless of how they are conceptualized, is their reliance on institutionalization. Naturally, all societies undergoing political and economic transition, generally regardless of ideological orientation, increase their level of institutionalization. The emphasis on formal education is part of that larger institutionalization process. Mexican politicians generally, but especially technocrats, have depended heavily on the growth of the federal bureaucracy, specifically the executive branch.

One of the outstanding features of Mexican politics is the dominance of the national executive branch. Although the roots of its importance can be

traced to both indigenous and, more importantly, Spanish colonial institutions and experiences, its increasing sophistication, size, and concentration in the capital city have generated numerous features essential to the expansion of a self-perpetuating political elite, of which technocrats became an increasingly significant component. An historical reading of Mexico's three branches of government clearly illustrates that the characteristics found among executive branch officials, even at the department level, are those which determine essential qualities of future national political figures. Moreover, grassroots or local-level experiences have not served as models, to be emulated by the next generation of national leaders, but just the reverse: national patterns, found in the executive branch, establish the informal credentials among future politicians at all levels and among all types of institutions.

The national bureaucracy, in turn, is linked closely to the educational system. The university's ideological function, socializing public figures, is not as influential as its recruitment linkage (see Camp, 1984). Whereas early-nineteenth-century Liberals sought to create an educated elite well versed in the dominant ideological views of their age, Mexico's post-revolutionary leadership sought to recruit highly trained bureaucrats to professional careers in public service, exposing them as interns to a form of practical education, before they even left professional school.

These political mentors used academic institutions, notably the National Autonomous University (UNAM) in Mexico City, to carry out their socializing and recruitment tasks. This linkage became essential to the technocratic task because each succeeding generation could not only be taught the importance of specific ideological beliefs, but also the inherent value of formal, educational credentials. Equally significant, Mexico's political leadership became the primary mentors to successive generations of politicians, perpetuating the importance of educational credentials, of intellectual points of view, and of the institution itself (Camp, 1980).

PRESIDENTIALISM

A third and related feature, enhancing the centralization of decisionmaking and the informal linkage between higher education and political leadership, is the presidential system.[6] A comparison to the English parliamentary system is quite revealing. The English also have built up a significant bureaucracy, the first of the Western economic and political powers to create a bona fide civil service. As the English economy and political ambitions grew in size and complexity, the need for expert bureaucrats

expanded accordingly. But, unlike the Mexican system, the English parliamentary structure drew its leadership from elective, not appointive, office. Its national bureaucracy, while sizable, did not become a recruiting ground for future ministers, rather it established an institutional reputation for independent careerists who were "experts." These individuals could be relied upon by any parliamentary majority.

In Mexico, the executive branch, rather than relying on its legislative counterpart as a training ground for future politicians, increasingly came to control congress, becoming so influential in the initiating of legislation as to make this body essentially superfluous to the policymaking process. The Mexican political system was able to accomplish this only because a self-perpetuating elite, represented by a single political organization, the Institutional Revolutionary Party (PRI), controlled both branches of government from 1929 to the present.

Mexico, therefore, provides an interesting example where no clear boundary exists between government "experts" and politicians, rather its "experts" became politicians and vice versa. Mexican politicians since the 1940s increasingly have come from careers in the national bureaucracy. This career orientation and background not only blends together Mexican expertise and politics, but equally important, explains its national leadership's political qualities.

It is obvious that an individual's political skills are developed and honed on the basis of personal experience and mentorship. A politician who relies almost exclusively on experiences within a large, bureaucratic organization will develop important political abilities, but ones pertaining to success in that peculiar environment. Since success within a bureaucratic environment determines whether or not one reaches the most influential and prestigious policymaking positions in Mexico, the careers of most ambitious politicians typically are found inside executive branch agencies.

Considerable confusion exists about contemporary technocrats' political skills, or the degree to which technocrats are not politicians. This is why personally I always have felt more comfortable labeling them political-technocrats. Such politicians, and they *are* politicians, boast political skills. What separates them from "other" politicians, among other characteristics, is the *type* of political skills they possess, and their origins.

One of the most interesting contradictions in Mexico's political development in this century is the increasing narrowness of its leadership's political experiences, and the consequent specialization of political skills, as the political system came to require different, increasingly generalized political talents. It also may explain to some degree why the political

system at the executive branch level has become more rather than less authoritarian.

If we step back to the 1940s, we can see the beginnings of a clearly defined political elite. Important features of this group are that they were: civilians, college graduates, lawyers, and bureaucratically (executive-branch) trained. However, and this is important, unlike their contemporary counterparts, they came from more modest social origins, they retained strong ties to and often initiated careers in their home states (most represented their states in the legislative branch of government), and many were involved in the party as distinct from the government bureaucracy.

This older generation of twentieth-century elites (born in the period 1900–19), who retained some of the formal credentials and experiences of their nineteenth-century peers, could better be described as generalists, not specialists, even though they set in motion the emphasis on specialized qualities which would come to dominate the next two generations of politicians. They were the real architects of the contemporary political system, and from 1946, through 1968, were eminently successful at the task of making such a system work. At the same time, this generation, closely identified with President Miguel Alemán (1946–52), was responsible for altering the next generation's credentials. Although they managed the political and economic challenges more successfully than their students, indirectly they contributed to the system's decline after the late 1960s.

In the 1970s, the next generation of politicians, led by presidents Luis Echeverría, José López Portillo, and Miguel de la Madrid, retained important features of their older mentors: for the most part they remained well-educated, lawyers, bureaucratically trained, and of course were civilians. The difference is, however, that they moved away from the more modest social origins of their predecessors. They came increasingly from the capital city (president Gustavo Díaz Ordaz, 1964–70, could be said to be the last president with a political career in his home state), they did not have political experiences outside of Mexico City, either elective or by appointment, and any significant involvement in the government party typically occurred late in their careers, often for show only, especially during a presidential campaign.

Luis Echeverría represents the transitional figure at the presidential level, for he was the last president to have used the party as a significant ladder in his climb to power, and to have served as both a general delegate, the key brokerage post within the party, and as a member of the National Executive Committee.[7] Echeverría is also the last president to emerge from a bureaucratic career in a "political" agency, the secretariat of government. His successor, José López Portillo, pursued an academic

and professional career (in law), was a latecomer to politics, served in appointive, economically oriented posts, and acquired little exposure to negotiating skills outside the bureaucracy. López Portillo set in motion the entrenchment of a younger, distinct national politician by naming his former student Miguel de la Madrid his successor. De la Madrid was a professional public servant, product of a capital city, national executive branch career confined to economic agencies, and a recipient of graduate, Ivy League education abroad. In choosing a cabinet with similar credentials, de la Madrid effectively determined the most influential nodes of recruitment among subordinate figures, those emerging as the contemporary technocratic generation (born in the period 1950–69).

RISE OF CIVILIANS

A fourth feature of the Mexican technocrat, especially peculiar to Mexico, is the elimination of the military politician. Twice in Mexico's history, since the mid-nineteenth century, military politicians dominated national politics. In both cases, the generations of Porfírio Díaz, and of presidents Plutarco Elías Calles (1924–8) and Alvaro Obregón (1920–4), turned over power to civilian contemporaries. It is extremely important to note that despite the overriding importance of Liberal–Conservative conflicts and the French intervention, and the Mexican Revolution of 1910, and the fact that both leadership groups reached power as victors in viciously intense civil wars, power shifted rather quickly back into the hands of civilians. For example, by 1901, fewer than one out of ten national politicians was a military professional – down from over half of Mexico's leaders in 1884; and an equally low percentage was reached in 1946 – down from a similarly high proportion in 1920.

The attribute that technocrats are strictly civilian is unique to Mexico, because elsewhere in Latin America other technocratic qualities often are identified with military-led, authoritarian regimes. It is important to the Mexican definition, however, because civilians are associated with a degree of professionalism, a caliber of intellect, and a level of education not found among its military officers. In fact, with the exception of naval officers, the vast majority of the Mexican officer corps did not receive an equivalent college degree until the 1960s, and even then, this was typical of only general grade officers.[8]

Why did military politicians in both centuries, essentially self-made on the battlefield rather than products of training in state-affiliated professional institutions, of their own volition rapidly increase civilian control?

First, the popular social origins of Mexican military leadership, grounded in civilian not military experiences, discouraged loyalty to military supremacy and the development of a caste mentality or identification with a military institution. Second, my interviews in the 1970s with prominent political and intellectual figures who joined the administrations of military governors and presidents made clear their frank recognition of a need for the intellectual credentials and knowledge young, civilian, college graduates, albeit politically inexperienced, could bring.

The stability and continuity characterizing civilian governance in Mexico, longer than in any other country in Latin America, further enhanced the growth of a cohesive, civilian, educated leadership which did not have to contend with armed, political enemies, but only with other civilian opponents, who tended over time to emulate rather than deviate from elite credentials.

PROFESSIONALIZATION

A fifth and even more important feature of the evolving technocrat, both in the region and in Mexico, was the expansion of professionalism. Private professions such as law, medicine, and engineering were the earliest to expand, and that fact partly explains why their representatives dominated political life.[9] Initially, graduates of these disciplines, and practitioners of these careers, went from part- to full-time politics, transforming politics into a profession.

The institutional growth of the Mexican bureaucracy, coupled with the dominant one-party system controlled by a self-perpetuating elite, contributed to a new career, already well-established by the 1940s: that of the professional politician. These were men, and later women, who from their teenage years entered political activity, moving on to the political arena, where they attached themselves to a professor-cum-politician in a bureaucratic agency. The very stability of this political leadership, combined with a burgeoning bureaucracy, guaranteed a life-long career, even for those not reaching the top. Mexico's lack of pluralism and competition decreased the risks associated with a typical political career in the United States or Europe.

Informal demands leading to professionalism in Mexican political life were apparent in other sectors as well. For example, military politicians revamped the national military college in the 1920s, then introduced a higher war college in the 1930s, and established a graduate program in the 1980s, all designed to "professionalize," educate, train, and provide a body

of knowledge useful to the officer corps, including the essential ideological tenet of military subordination to civil rule. These same patterns were occurring in the private sector, the most autonomous and independent of professions, as younger generations increasingly became enamored of business administration and accounting degrees in addition to, or in place of, working in the family's enterprise, the private sector equivalent of a bureaucratic internship.

Professionalism could also serve, however, to reduce the variety, if not the quality, of recruits. The selection of technocratic, as distinct from the more traditional, politicians as conceptualized in the Mexican context effectively narrows the recruitment pool. Because these technocratic politicians achieve very specific formal credentials, among them high levels of technical and intellectual training, they limit the social environment from which they are drawn. When a leadership group is selected from an increasingly smaller pool of potential applicants, those individuals will share fewer and fewer experiences with the general public, and as a consequence, may not share similar views on a host of social and economic issues. The recruitment focus of National Action Party (PAN) politicians, is as narrow *as that* used by current government politicians. However, PAN applicants differ in two very important respects from those of the PRI. First, their socialization experiences, both familial and professional, expose them far more strongly to private sector values. Second, their political organization, both locally and nationally, and the pattern of their political careers, embed them in decisionmaking experiences which are pluralist, competitive, and democratic, differing completely from that of their government opponents.

THE DOMINANCE OF ECONOMICS

Similar patterns occurred simultaneously across various Mexican professions as society witnessed social and economic changes. The most important of the changes associated with technocrats was the economic system's increasing complexity and, equally significant, the connection between the state and economic development, which came to dominate many elite attitudes in the 1930s (Glade and Anderson, 1963: 3–101)

This latter change in political ideology is an essential link in the rise of political technocracy and its architects. The professional discipline most strongly identified with technocrats is economics. This is not accidental. Economics is associated with the state's growth and its responsibility for macro-economic policy in Mexico.[10] Economics as a separate academic

discipline was not established until the 1930s, with the founding of the *Fondo de Cultura Económica*, intended to publish major economic tracts in Spanish, to be read in university classes and by the intellectual elite (FCE, 1980, 10ff).

The generation of Mexicans who taught in these new schools, who created cultural institutions to support economic study, who established statistics and economic studies departments in major cabinet agencies, firmly believed in one future trend: that political decisionmaking would increasingly become focused on macro-economic policies, and that such decisionmaking would require national and international expertise in economic models and relationships. Although these public figures were often self-trained in the art of economics, or were given the opportunity on government fellowships to study economics abroad, typically in England and France, and later in the United States, they recognized that fully trained economists, not lawyers who were amateur economists, were necessary.[11]

If we place all of this in perspective, it becomes apparent that the longer historical sweep explaining technocracy's rise has little to do initially with the advocacy of any specific economic or political ideology. Rather it is tied to an uncomplicated elite perception that a high level of education is necessary to govern. This elite view is transformed into a more complex interpretation which indeed *is linked* to an ideological assumption of state involvement in economic development. This ideological orientation, ironically, is quite the opposite of the neoliberal bias so strongly associated with technocrats of the 1980s and 1990s.[12]

IDEOLOGY AND PRAGMATISM

To what degree is ideology an essential quality of the technocrat? No doubt in the Latin American version it has become an all-dominating feature of the beast. In the Mexican case, however, this is something very recent, and may well be transitional. More importantly, it is erroneous to divide Mexican politicians into technocrats (i.e., all those espousing neoliberal economic philosophies) and traditional politicians (those opposed to such views). It is an unhelpful distinction for two reasons. First, on the basis of economic ideologies, those who meet the technocratic criteria by every other measure differ amongst themselves. Political technocrats in Mexico can and do represent a wide range of views economically and politically. It happens to be the case at the moment, and in the last two administrations (1982–94), that technocrats of the neoliberal economic persuasion are in the ascendancy, while others with opposing or

differing interpretations are largely excluded from decisionmaking positions (Centeno and Maxfield, 1992). Second, the so called non-technocratic group, or so-called *dinosaurs*, are an equally diverse group, both in their macro-economic and in their political views. The simplicity with which the two groups are labeled has obscured rather than clarified the issue of Mexican leadership.

The technocratic cadre in Mexico reached their apex under Carlos Salinas de Gortari, who in every way represents the qualities listed above, and whose own father is a precursor and mentor to a generation of politician-economists who established a foothold among political elites.[13] But Salinas altered the technocrat's characteristics in several ways. Most importantly, he is responsible for shifting the ideological component to the forefront. Salinas, once in control of the presidency, made his own personal vision of economic neoliberalism a political litmus test for membership in his personal coterie of advisers and decisionmakers.

Salinas forced Mexico's political leadership to take its ideology seriously, producing two significant consequences. First, he moved the traditional political elite away from pragmatism as a *leit motif* of rule. Pragmatism always had worked to the leadership's advantage, allowing it to incorporate a broad range of politicians under the party's amorphous, ideological banner. Second, Salinas narrowed the scope of acceptable elites to its smallest pool ever, eliminating not only the so-called traditional elites, but also most other political technocrats who did not subscribe to his economic or political views. Thus, at a time when the Mexican political model was undergoing extraordinary pressures to change, both from within and from without, Salinas' group closed off access to power to increasingly larger numbers among the ruling elite (Morris, 1995).

Salinas incorporated another feature among this younger technocratic elite. Although Mexican politicians had governed for decades through an authoritarian process, Salinas revived the level of authoritarianism. Consequently, observers identified his technocratic group with anti-democratic policies, erroneously incorporating all technocrats under this political label.

CENTER VERSUS REGIONS

Ideology, as an essential ingredient for conceptualizing technocrats, is more appropriately associated with two long-term issues in Latin American political history: regionalism and foreignism, which in turn have

been strongly linked by intellectual historians. E. Bradford Burns, in his provocative, revisionist *The Poverty of Progress*, made the interesting argument some years ago that contrary to the view of cities acting as the focal point for "modern" liberal political ideas, inland regional centers were the sources of socially sensitive and appropriate solutions to Latin America's problems (Burns, 1980).

Regionalism also has been presented as a political issue of central authorities dominating grassroots local groups, increasing the centralization of political power, and in the Mexican case, executive and presidential influence (Roberts, 1992: 247–54). Local *caudillos* and political bosses always have been seen as bulwarks of support for archaic and antidemocratic behavior, while the authoritarian center, in contrast, is presented as the epitome of enlightenment. Yet, as the central government increasingly eliminated larger pockets of local control, abusive or not, it enhanced its own power rather than generating pluralism on the local or national levels. Indeed, the historical record is unequivocal in Mexico: local, grassroots organizations and leaders have provided the initiative and the demands for political pluralism in the nineteenth century immediately prior to the 1910 Revolution, and in the 1990s (Guerra, 1988: 160).

The argument can be made, just as is the case in Washington DC, that long residence in the political capital deprives an individual of the necessary contact with the "real" political world. Unlike American congressional figures, who in losing touch with the folks back home risk losing their office, the PRI's monopoly, and the structural subordination of the legislative to the executive branch, devalues such ties among Mexican leaders. More importantly, the fact that most national politicians today neither grow up in provincial cities, nor serve in the legislative branch, eliminates their exposure to regional, grassroots experiences, providing them with an urban, metropolitan bias. This distortion also may explain why frustrated Mexican citizens have sought out alternative political leadership, not only through increasingly popular opposition party candidates, but among the Catholic clergy.

INTERNATIONAL INFLUENCE

Foreign influences, the ninth element strongly identified with technocrats, is part of a broader, well-established historical pattern in the region. Foreign intellectual influence has been juxtaposed against traditional, outmoded political features associated with the Spanish culture which lost out in developmental and battlefield conflicts to English industrialization and

force of arms. Thus, some version of the English political model, also identified with its economic supremacy, became the fashion in the nineteenth century.

Foreign influence also has been associated with the regionalism issue with respect to the conflict between nationalism or organic nativism, and internationalism. Crudely put, political observers often suggest that technocrats are the vehicle through which new and politically popular ideas can be transmitted to the domestic political arena. The criticism which this has drawn is simple: technocrats are better versed in foreign countries's political models and interpretations, solutions which have limited applicability to their own domestic problems, than they are to home-grown varieties. A second, and associated, argument is that legitimizing such ideological influences from abroad, and those individuals who both subscribe to and are trained in them, detracts from the organic or what Mexicans often refer to as "natural" leaders. These are men and women who emerge from the grass roots, understand their constituencies, are expert brokers at resolving conflict, and tend to focus on the pragmatic, not the ideological.

Mexican technocrats received such international influences through their training and experiences abroad. In the 1920s, and even through the 1960s, most Mexicans who studied abroad did so in Paris, London, Cambridge, and Oxford, and given the prevailing philosophies of the French and English academies at the time, were strongly influenced by those views, ideas which do not correspond to the presently-held, popular neoliberal economic philosophy. Only since the 1960s have greater numbers of Mexican politicians obtained graduate degrees, most of them abroad and the majority in the United States, typically from fewer than two dozen, especially Ivy League, universities. Thus Mexican political technocrats only recently have moved away from Continental to United States intellectual currents popularized in academic settings.[14]

Technocrats also receive a great deal of international legitimization. The technocratic generation has attracted the attention of analysts, often sympathetically, because they allegedly share a culture of knowledge with those who observe them, domestic and foreign.[15] This is especially the case among international analysts. American journalists, for example, might feel more comfortable around Mexican politicians who speak fluent English, lived in Cambridge, studied Robert Dahl in college, and were students of American economic theorists, than with a purely "native grown" politician. In short, the foreign analyst and the policymaker "speak" the same language.[16]

WHERE ARE THE TECHNOCRATS GOING?

The ability of Mexican technocrats to govern has come increasingly under question as Mexico lurches from one political and economic crisis to another. The general criticisms, however, seem too simplistic, especially if we accept that political technocrats, in one form or another, have been around for more than a century. On the other hand, a strong case can be made that the modified, post-1980s version of the technocrat can be blamed for exacerbating the difficulties any leadership group would have faced given significant underlying structural weaknesses in Mexico's economic and political system and the inequalities they have generated for decades.

The young technocrats governing Mexico since 1989 face two serious problems their leaders have created. They have substituted ideology for process, and popular image-making for political consensus. They have given too much weight to their ideological solutions, based on a decision-making mentality which poses the view that as long as you identify a problem correctly and propose the appropriate policy the obstacle can be resolved or corrected. The most complicated component of public policy-making is the political process. It is those skills, manipulating and managing the political process, that successful leadership requires.

Whether or not this generation offers the appropriate solutions is open to debate. But even if one were to assume the problem and solution have been correctly identified (on which there is little actual agreement in Mexico), the implementation process has been deeply flawed. It is flawed from several perspectives. First, insufficient sharing of information and low levels of participation among the governing elite characterizes Mexican decisionmaking. This is no better illustrated than in the Chiapas debacle of January 1994, when it became apparent in retrospect that information anticipating the guerrilla uprising was readily available at least six months before the initial attack by the Zapatista Army of National Liberation (EZLN) (Wager and Schulz, 1994).

This new brand of technocrat also has moved away from the time-consuming and intricate process of consensus building to manipulating the mass media, domestic and international, to create a favorable image. Even more critically, this newer generation of technocrats, given their macro-economic philosophy, have oriented their image-building toward the United States, seeking legitimacy from their powerful neighbor as a way to support and conduct their policy strategies. Again using the Chiapas situation as an example, the administration met its match against the Zapatistas who understood that their fortunes would rise or fall on their favorable certification by the media. They succeeded very quickly in the

first weeks of January to capture the popular imagination of the press and the populace, forcing the administration to reverse its policy of suppression, and to pursue a negotiating strategy with the rebels.

As the December 1994 peso devaluation illustrates, the technocratic leadership has misjudged and underestimated the political setting and consequences of their decisions, assuming once again that technical correctness in assessing the problem and the solution take precedence over implementing public policy, even potentially controversial decisions. Moreover, their belief that image-building is an adequate substitute for complex political bridge building and alliances, creates a fragile foundation on which to construct political legitimacy, suggesting why the fortunes of both presidents Salinas and Zedillo quickly plummeted just months into the new presidential administration.

Many features of the technocratic politician are here to stay regardless of the present leadership's failures to solve Mexico's outstanding political and economic crises. Nevertheless, what will change as a consequence of repeated failure, if that proves to be the case, is an ideological strategy, which already has lost its sheen, and whose political attractiveness will decline further. Thus, technocrats who believe in a different variation of economic policy solutions will come to the forefront.

The other major alteration in the composition of technocrats, whether they come from the establishment elite or from the growing ranks of opposition party members, is a greater emphasis on different political skills, specifically those skills needed to achieve consensus building and political compromise. What is often overlooked is that few Mexican politicians from any party or within any leadership group possess the type of skills found in a truly pluralist polity. Because the current generation of Mexican politicians has not operated within a pluralistic context, and because pluralism is still fettered by many features of the semi-authoritarian model, such qualities will be slow to emerge.

The technocrats, per se, are neither democrats nor authoritarians. But individuals exist who can rightly be described as members of a new generation of technocrats among those groups favoring rapid political democratization, regardless of their economic views. In the long run, it is these politicians who are likely to prevail. Whether they come from the present leadership, from the present opposition parties, or from a newly formed organization, will likely depend on the rapidity with which the present group of technocrats acquires the missing political skills.

Failure to do so will lead to further political crisis. A continuing crisis will not only devalue economic liberalism as a legitimate, prestigious ideology, but even risks tainting the technocratic politicians altogether, or at

the very least, some of their more obvious qualities. Thus, a more organic leader, home grown among the ranks of civic and non-governmental organizations, is likely to emerge. Unfortunately, if institutional political structures have lost their legitimacy, and the current actors their ability to negotiate, such grass-roots figures can as easily carry the torch of democracy as a new form of ideologically driven authoritarianism.

Notes

1. Analysts wrestling with these and other conceptual issues within a Mexican context, early on, include Grindle (1977), and more recently, Lindau (1992).
2. A useful way of examining this is the allocation of resources over time (see Lorey, 1994).
3. A revealing, contemporary view of its impact can be found in Sierra (1969).
4. For a detailed description of its philosophic tenets, and the education responses it spawned in Mexico, see Hale (1989).
5. For evidence of this group's political influence and composition, see Rice (1979). For comparisons between the old and new versions, see Cochrane (1967).
6. To grasp the overriding influence of presidential authority and the presidency, see the important work of George Philip (1992).
7. Echeverría began his political career under Rodolfo Sánchez Taboada, president of the PRI, as his private secretary in 1946, less than a year after graduating from law school. He served as president of a state PRI committee, as a platform adviser, and in three other positions, all before 1952.
8. For the evolution of military professionalism and education, see Camp (1992: 133–75).
9. For the competition among various professions, and their level of representation from the 1930s through the 1980s, see Cleaves (1987).
10. This change is well developed in the memoirs of a prominent economist, Jesús Silva Herzog, mentor to many of Mexico's leading public figures (Silva Herzog, 1972).
11. These individuals included the founders of the Fondo de Cultura Económica, and many of the officials in the Treasury secretariat, the Bank of Mexico, and the National Finance Bank. Such views are captured in their memoirs, including those of Daniel Cosío Villegas (1976), Eduardo Villaseñor (1974), and Antonio Carrillo Flores' foreword to Eduardo Suárez (1977). The origins of the economist-technocrat are well described in Vernon (1963).
12. For the earlier views of the generation who are the forerunners of both the Miguel de la Madrid and the Carlos Salinas de Gortari and Ernesto Zedillo technocratic contemporaries, see Carrillo Flores (1941), former head of the National Finance Bank and secretary of the treasury.
13. By far the most detailed and apt description of this technocratic generation, and their potential consequences for policymaking, can be found in Centeno (1994).

14. The evolution of these conflictive postures is partially presented in Erfani (1995).
15. I am indebted to Alvin Gouldner for exposing me to the concept of a "shared culture," but I am solely responsible for applying it to technocrats: see Gouldner (1979).
16. This same tendency can be viewed among the system's critics. The United States media and congress rely far too heavily on a handful of Mexican pundits.

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