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Merilee S. Grindle and John W. Thomas argue that decisionmakers are not simply forced into particular choices by events, interest group pressures, or external agencies. Rather, they have a significant range of options in the management of public problems (including, at times, the option of not addressing them). But with that range of choices comes an element of risk. Basing their analysis on cases of policy and organizational reform in recent decades, Grindle and Thomas focus not only on government but also on the overlapping boundaries of state and society, where policymakers confront both domestic and international pressures for change—or for preserving the status quo.

"A badly needed antidote to the negative view of public decisionmakers that has been so prevalent in the recent literature of economics, political science, and public administration. Quite simply, we don't have many books that allow us to explain good government, let alone map strategies for bringing it about. This book is an important first step in this direction."—Judith Tendler, MIT

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The Johns Hopkins University Press

ISBN 0-8018-4156-9

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Public Choices and Policy Change
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The Political Economy of Reform in Developing Countries

CHAPTER 4

Setting Agendas: Circumstance, Process, and Reform

On December 27, 1971, a press release from the prime minister's office in Ghana announced a massive devaluation of the national currency against the dollar.[1] The decision to devalue, reached by the prime minister and affirmed by his cabinet, resulted from a growing perception among these high-level officials that the country faced a major balance-of-payments crisis. The decision was made under considerable pressure from the IMF and other creditors and on the basis of technical analyses provided to the chief policy makers by a small group of domestic and foreign economic advisers. It followed a four-year period in which the subject of devaluation was rarely mentioned within government councils and, when mentioned, was dismissed as a measure either unnecessary or inappropriate for the economic ills of the country. In fact, the influential minister of finance, J. H. Mensah, had only acknowledged the need for "a downward adjustment in the exchange rate" on December 20, after steadfastly opposing such a move despite a mounting sense of crisis within high-level circles in the government (quoted in Killick, Roemer, and Stern 1972:40). The Busia government, elected in 1969, had favored policies to increase government investments in development programs, especially in rural areas, and to liberalize a rigid and corrupt import control system while continuing to maintain an overvalued cedi (the national currency). Many government officials continued to believe that

Ghana would find a solution to balance-of-payments problems through economic growth.

This view, which had begun to erode by mid-1971, was firmly rejected between October and December, when the prime minister became increasingly convinced that a severe economic crisis faced the country. By late 1971, high-level government officials agreed that the time had come to confront serious structural problems in the country's economy. A crisis existed, the prime minister stated in addresses to the Ghanaian people on December 27 and again on December 31, and it required strong medicine, however unpleasant the taste. Eventually, the taste of the medicine was most bitter for these decision makers. On January 13, 1972, the government of Prime Minister Busia was overthrown by a military coup; in justifying their action, military leaders gave as one reason the decision to devalue and to throw the country's economy into even greater turmoil.[2] Among those who found themselves in jail or under its threat were many of those who had participated in the discussions about devaluation.

Among the decision makers who discussed and debated the issue of devaluation between October and December—the prime minister, the minister of finance, the president of the central bank, a small number of other cabinet officials, and a small group of technical advisers—there was increasing concern about the gravity of the economic situation in the country. Ghana was caught in a situation of rapidly rising imports and falling international prices for cocoa, a product that accounted for some 60–70 percent of export earnings. The Bank of Ghana was unable to meet its credit obligations. Of course, foreign exchange problems were not new to this consumption-based economy in which little savings and investment activity could be discerned. However, in the past, the problem had been masked by the availability of foreign exchange reserves, large-scale borrowing from abroad—including the extensive use of suppliers' credits—and a timely boom in the cocoa market. But now, the reserves were exhausted, the external debt was very large, suppliers were refusing to extend more credit and were demanding payment for bills past due, and the cocoa boom was over. From an average of $790 per ton in 1970, cocoa fell to $470 per ton in 1971 (and to $360 per ton in the first months of 1972). The government's Cabinet Standing Development Committee warned of a serious impending trade imbalance.

The IMF and creditor countries, which had reached short-term rescheduling agreements with the government in 1966, 1968, and 1970, were now refusing assistance unless major reforms in economic policy were put in place. In October, the government was informed by the British government that no economic assistance or debt relief would be forthcoming without real Ghanaian commitment to putting its economic house in order. If such reforms were made, government officials believed that foreign assistance would be forthcoming, even if they had no firm commitments from the IMF, the British, or other major donors. Officials within the Bank of Ghana, a technical advisory committee, and the cabinet moved from a position of opposition to devaluation to one of acceptance, largely on the basis of economic indicators, the concerns of their advisers, and the warnings of their foreign creditors.

The sense of crisis among high-level officials developed without extensive evidence of violence, protest, or demand making by domestic political actors. A strike by port workers in September 1971, opposing aspects of 1971/1972 budget measures announced in July, was the only clear public statement of dissatisfaction with the government's policies; students did not protest in the streets, workers did not riot, and political violence did not escalate. Nevertheless, public opinion was increasingly critical of the government's performance. In particular, urban labor groups, the urban middle class, and the military were becoming more vocal in their criticism of the government's policies, rising inflation, and frozen wages. In part, their dissatisfaction reflected a series of unwelcome measures that were introduced in the 1971/1972 budget. Interest rates were raised, students were charged fees for university attendance, government agencies were expected to become more efficient in the use of foreign exchange, a profits and remittance tax was imposed on foreign firms, salaries and perquisites of civil and military servants were severely cut back, and a development tax to raise additional revenue was imposed on the population.

By the latter half of 1971, therefore, public grumbling—but not mobilized protest—about economic conditions had become widespread. While generally more sensitive to the economic dimensions of the crisis than to their political ramifications, the prime minister and the cabinet did include a number of sweeteners in the devaluation package for cocoa farmers and others. The government was also aware that the devaluation might have severe repercussions in terms of public support if it was announced at the height of the pre-Christmas buying season. As a consequence, the announcement of the devaluation was postponed for five days after the decision had been reached.

The case of devaluation in Ghana highlights the importance of circumstance in explaining how, why, and when decisions are made. In this case, the perception of crisis is clear. Beginning in mid-October, high-level officials, with the minister in the lead, began to accept that dire consequences would result if they did not act and if they did not make major changes in the economic management of the country. In the months leading up to the acceptance of this view, there was disagreement among officials about the severity of the economic situation and the appropriate

policy response to it; by mid-December, they were all in agreement that a crisis existed and that devaluation was a central part of any solution. They also agreed that something had to be done, despite high economic and political stakes; for them, failure to act would lead to almost certain disaster, the bankruptcy of the government.

Crisis is an often-invoked reason in explanations of the adoption and pursuit of major changes in public policy. In fact, while many of the theoretical formulations considered in Chapter 2 are more useful for understanding policy stasis than policy change, most theories incorporate the idea of a relationship between circumstances of crisis and instances of policy change. In class analytic models, for example, theorists argue that a crisis allows the state to take on more autonomy from societal actors and to introduce measures that may infringe on the power and interests of dominant social classes. For public choice theorists, a crisis offers a unique opportunity to break through the hold of rent-seeking behavior to consider larger issues such as "the national interest." In a bureaucratic politics approach, crisis is the condition that often sets off bureaucratic "games," defining the stakes and presenting opportunities for personal and bureaucratic competition and bargaining. For those who adopt a state interests approach, a crisis is an opportunity for state elites to define new strategies for addressing major problems of development and to take an active role in putting together supportive coalitions for reform. In all these approaches, then, crisis presents a "moment" or an opportunity for bringing about significant changes in public policy. Crisis, it appears, is instrumental to reform.[3]

Certain kinds of policy issues—a devaluation, say—tend to get on decision makers' agendas only when crisis conditions exist. Other kinds of policies—to decentralize, for example—emerge almost uniquely under politics-as-usual circumstances. In our framework, we have chosen to focus on the dynamics of two distinct agenda-setting contexts rather than on the types of policies that tend to emerge within these contexts. The reasons why particular policies regularly tend to arise under distinct circumstances can then be put in analytic perspective. Agenda-setting circumstances can illuminate broad categories of policies and allow for comparisons among them; assessing individual types of policies provides less of a basis for generalization and comparison, at least as a starting point for analysis. Moreover, there are also categories of policies—revising price structures, introducing sectoral investments, altering trade incentives, for example—that can occur under either crisis or politics-as-usual circumstances. Here, we attempt to go beyond specific policy types to the dynamics of the circumstances that surround their emergence as issues on a policy agenda.

The experience of devaluation in Ghana, as well as several other cases considered in this study, affirm this general statement. But these cases do more than affirm the possible truism that crisis generates reform. They help us respond to a difficult conceptual issue—how do we know a crisis exists?—and they provide insights into what crisis means in terms of the process of decision making and the kinds of decisions that it is likely to generate. In this chapter, the circumstances of crisis that surrounded several of the policy reform cases are compared with circumstances of politics as usual that provided the context for several other cases. The comparison illuminates the distinct dynamics of agenda setting and decision making when a crisis is perceived to exist and when it is not.

In Chapter 3, we suggested the centrality of policy elites and of the state more generally to policy initiatives in developing countries. Here we wish to indicate how the circumstances surrounding a particular issue shape the opportunities for reform and the process of decision making about adopting policy and institutional changes. Central to our argument is the assertion that circumstances of crisis or noncrisis have very clear implications for the dynamics and process of decision making, but they do not directly determine the outcome of that process, the content of the reform initiative. In all our cases of crisis-ridden reforms, circumstances influenced the stakes and timing of reform, but policy elites, however pressured they felt, always had options available to them, including the options of not acting or of experimenting with alternatives to extremely high-risk actions. Moreover, policy elites had considerable scope for shaping the specific content of changed policies and institutional arrangements and thus had significant influence in determining the outcome of decision making, even under conditions in which it appeared they had "no choice" but to act. In Ghana, for instance, policy makers came to believe that devaluation was the only option available to them, but they had clear choices in terms of the amount of the devaluation, the package of other policy instruments to be introduced with it, and the way in which the actions were introduced to the public. These choices that accompanied the general decision to devalue shaped much of its scope, timing, and public reaction.

In the pages to follow, we first consider cases of policy change under circumstances of perceived crisis for the insights they offer into the definition of crisis and the dynamics that surround agenda setting and decision making under these conditions. We then turn to cases in which policy change is attempted under circumstances of politics as usual. We find that reform also occurs under such conditions, but that its dynamics are distinct.

Crisis-ridden Policy Changes

The case of devaluation in Ghana illuminates a problem of definition that plagues efforts to explain policy change—how do we know when a crisis exists? The problem is difficult because, unless clear criteria are adopted, explanations of change can easily become tautological: major policy changes are introduced because there is a crisis and, therefore, a crisis exists when major policy changes are introduced. In most cases, the existence of a crisis cannot easily be established through the description of an objective situation; instead, the fact of crisis remains in the eye of the beholder. This was true in Ghana. The economic situation in the country was bad and deteriorating through much of 1971. Indeed, for over a decade there had been serious structural imbalances in the country's economy and its relationship with the international economy. Per capita consumption was declining. Yet, the existence of a full-blown crisis was not acknowledged until the October–December period of 1971. It was during this period that the prime minister became convinced that the economy was in serious trouble and that short-term internal adjustments or additional foreign assistance could not resolve the foreign exchange problem. It was at this time that the other high-level decision makers, including the minister of finance, who had long opposed any consideration of the need to devalue, came to share an appreciation of the gravity of the economic situation. Similarly, although the decision makers recognized to some degree the economic and political risks involved in devaluation, they came to believe that far greater problems would be encountered if they failed to act.

In this and other cases, then, a crisis existed because (1) decision makers perceived that one existed; (2) there was a general consensus among them that the situation of crisis was real and of a threatening nature; and (3) they believed that failure to act would lead to even more threatening economic and political realities (Hampson 1986:17). Our cases indicate that policy makers often become convinced that a crisis exists as a result of two interrelated factors. First, the gravity of a situation is frequently borne in upon them by events and actors outside of government—a riot, a dramatic fall in the international price of a major export commodity, or pressure from international agencies, for example. This kind of external reminder often puts the issue on the agenda for government decision makers.

Second, policy elites are often helped along the path to the perception of crisis because of the information made available to them by their own staffs of technical experts or by the technocrats of international agencies pressing for changes. Increasingly, as was suggested in Chapter 3, policy makers have access to and are better able to understand such information. Increasingly, they are asked to make difficult decisions based on complex or sophisticated information and advice. In a typical case of balance-of-payments problems, such as in Ghana, for example, analyses made available to policy elites signal the degree of current foreign exchange problems and budgetary deficits and project future trends. In our cases, this kind of technical information was important in convincing policy elites that they faced a crisis and in suggesting options for addressing the crisis. Such perceptions defined the circumstances surrounding the discussion of policy changes and shaped the nature of the decision-making process. They did not, however, determine what changes would be adopted, how "good" or "bad" the decisions would be, or how appropriate they were to the particular problem being faced.

The Process of Decision Making

When a perception of crisis surrounds the consideration of policy changes, considerable pressure develops to "do something" about a problem if dire consequences are to be avoided—or so decision makers believe. In particular, when policy elites perceive a crisis to exist, the decision-making process is distinct from noncrisis situations in terms of the pressures for reform, the stakes involved in change, the level of decision makers involved, the degree of change considered, and the timing of reforms. Our cases clearly indicate that perceived crisis sets in motion a process of decision making characterized by pressure to act, high stakes, high-level decision makers, major changes from existing policy, and urgency.

Pressing and Chosen Problems

In the case of devaluation in Ghana, decision makers were keenly aware of the concerns and pressures from outside of government about the economic situation of the country. Among the most explicit pressures on them were the demands and expectations of international creditors. The British, for example, refused new balance-of-payments relief unless the Ghanaian government reached an agreement with the International Monetary Fund. In turn, the IMF was clear in insisting that major policy changes had to be undertaken before debt relief could be seriously discussed. Domestically, labor unions were clear in their desire for wage increases, and urban middle-class groups were increasingly dismayed by economic conditions in the country and opposed to the policy measures in the budget that affected them directly. The military was bitter about a 12 percent cut in its budget and the ending of a number of important

perquisites such as vehicle allowances, free utilities, and subsidized rents. This was a situation in which the problem was a "pressing" one.

Circumstances of crisis tend to bring pressing problems to the attention of policy elites. Albert Hirschman (1981:146) has suggested that pressing problems are those "that are forced on the policymakers through pressure from injured or interested outside parties"; in contrast, chosen problems are those that decision makers "have picked out of thin air" as a result of their own preferences and perceptions. In several of our cases, actors outside of government played significant roles in placing issues for debate on the government's agenda. In Ghana, the international creditors were particularly important in pressing the need for reform on the policy makers. In the case of agrarian reform in the Philippines, insurgent forces and international donors were among those pressuring a frequently reluctant government to consider this policy (Thomas 1986). In the case of structural adjustment in Korea, the threat of the loss of U.S. PL480 food assistance was a significant factor pressing the government to consider changes (Haggard and Cole 1987). Moreover, pressing problems encouraged policy elites to perceive a crisis, and the pressures added to their sense of urgency about the problem. Those pressing for reform did not necessarily determine how the policy elites would respond to a particular problem, but only that they would feel the need to respond in some way. The pressures did not always push in the same direction, either. In Ghana, the international creditors wanted devaluation, austerity, and trade liberalization. Domestic groups pressed for increased government spending and cheap imports. Nevertheless, in most cases, policy elites would have been more reluctant to act, or would have acted less decisively, if the problems they were considering had not been pressed upon them by those outside of government.

Stakes

Circumstances of crisis surrounding the emergence and consideration of a particular policy issue also systematically raise the stakes for policy elites (see esp. Hampson 1986:16–17). This was true in Ghana. Convinced that a dire economic crisis faced the country, Prime Minister Busia and the other decision makers were clearly concerned about a major economic value, the future creditworthiness of the government, and the economic conditions that would prevail if the supply of imports were to be cut off. For them, the future development of the country was at stake, as well as their own reputations as managers of the economy and as leaders of a popularly supported political party. Thus, for them, the stakes involved fundamental conditions of economic stability and growth and the legitimacy and durability of their hold on political power.

In other cases, also, a situation of perceived crisis appeared to raise the concerns policy elites had about macropolitical conditions such as political stability, legitimacy, and regime vulnerability and led them to assess carefully the political and economic consequences of the options available to them. In Indonesia, perceived crises about the availability of domestic supplies of rice repeatedly raised concern among policy elites about the political volatility of food shortages or high prices for staple goods among the urban population (Timmer 1987a). In the Philippines, agrarian reform proposals were clearly assessed in terms of the very high stakes of political legitimacy and the vulnerability of the regime to both popular and elite opposition (Thomas 1986). In Korea, the stakes involved in economic reform involved not only important U.S. assistance but also the legitimacy of a newly elected regime (Haggard and Cole 1987).

Status of Decision Makers

Conditions of crisis tend strongly to move the level of concern upward in the decision-making hierarchy of government, while situations in which the crisis threat is low tend to remain at lower hierarchical levels. This distinction is clearly related to the level of threat to macropolitical conditions of stability and legitimacy and macroeconomic conditions of stability and growth; the higher the perceived stakes, the more likely that high-level officials will take a personal interest in the decision. Ghana is a good case of this. In Ghana, technical advisers had for some time been concerned about the economic situation and its trend toward a full-blown crisis. The prime minister, however, was content until the summer and fall of 1971 to leave economic management in the hands of his minister of finance. Only after he became fully convinced that a crisis existed did the prime minister take over control of economic policy making from his former economics czar. Moreover, it was only after October 1971 that the analyses of the economic advisers began to receive serious attention at the cabinet and prime ministerial levels. Similarly, in Costa Rica, the significant reorientations of the country's development strategy were decided upon by officials at the highest level in government (Doryan-Garrón 1988).

Innovation or Incrementalism

Distinct circumstances also alter the perceptions of decision makers about the causes and consequences of a particular policy issue and the remedies for the problem. Crisis-ridden reforms tend to emphasize major changes from preexisting policies. That is, prior policies are often con-

sidered to be fully implicated in the causes of the crisis; thus, they must be rejected if the crisis is to be overcome. Moreover, policy elites may feel under considerable pressure to appear to be taking decisive action in response to a dire situation. In Ghana, after avoiding devaluation as a no-win policy for four years, the government decided on a major change in 1971. In fact, the situation of crisis moved the government in the direction of a larger devaluation than economic conditions appeared to warrant.

> The crisis atmosphere had its effects on the technical work leading to devaluation. Most obviously, it forced a hurried pace of analysis. . . . Although it was necessary to quantify the outcome as well as possible, the advisors knew, and told the politicians, that a devaluation of 50% or more (in the cedi-dollar rate) was a shot in the dark, an act both of faith and of desperation. Since everyone knew they were dealing with very uncertain parameters, the tendency of the technicians was always to err on the side of greater force: use conservative estimates of responses and opt for larger devaluations. (Killick, Roemer, and Stern 1972:48–49)

In other cases, crisis situations moved policy elites toward major reformations of existing policy. In Costa Rica, a development strategy that focused on import substitution had been in effect since the early 1960s; it was reversed in the 1980s as a result of a severe economic crisis. Policy elites, who had been discussing the appropriateness of a new development model for some years, were hesitant to make more than incremental adjustments in existing policy to encourage a more outward-oriented development strategy until a crisis offered an opportunity to take more decisive action. (Doryan-Garrón 1988). Indonesia systematically altered its strategic approach to rice-pricing policy in response to crisis situations—in one instance as a result of a domestic and international shortage of rice and in another as a result of severe and sudden budgetary shortfalls (Timmer 1987a). Korean policy makers dismantled an extensive government apparatus supporting import substitution as the state adopted a fundamentally different approach to development through export promotion (Haggard and Cole 1987). Thus, although the stakes are high for the decision makers in crisis-ridden reforms, policy elites are also pushed in the direction of major reform initiatives when a perception of crisis exists. Innovation rather than incrementalism is likely to result.

Timing

Finally, the timing of policy response can be altered by circumstance. Under conditions of perceived crisis, decision makers often believe they have little alternative but to act, however much they might wish to avoid making difficult and risky decisions. They will not be without power or room to maneuver, but their control over timing may be significantly reduced. In Ghana, the prime minister believed that the government had to act before it had to repudiate its debts or before suppliers cut off imports. The case of rice price reforms in Indonesia is also a good example of how the timing of change is affected by crisis conditions.

> The changes reflected the government's concern about the impact that food prices would have in urban areas and that imported rice and subsidized prices had on the management of the budget. The specific policy options adopted indicated the government's confidence in the technical advice it received from a team of food policy analysts. The timing of the changes, however, reflected broader political concerns about food prices during periods of perceived economic crisis. (Timmer 1987a:3–4)

The Content of Policy

While the perception of crisis clearly affects the pressures for change, the stakes of reform, the identity of the decision makers, and the extent and timing of the changes considered, it does not necessarily result in either predictable or recommended policy changes. Policy elites in Ghana did eventually decide to devalue, a policy option favored by the international creditors and the government's own corps of economic advisers. The country was in a precarious international situation and in desperate need of the relief the government thought had been promised by the IMF and other creditors; policy elites believed, in fact, that the country had become economically dependent on the approval of the international actors. At the same time, the government was facing increasing domestic criticism of its management of the economy and was under pressure by domestic groups to increase incomes and development investments. Ten years of declining per capita consumption could be expected to take a toll on the popularity of the Progress party government that had been democratically elected in 1969. The policy elites who agreed to the devaluation believed that such a measure would infuse the government budget with additional resources and consequently would allow them to raise crop prices for cocoa farmers and to introduce a wage hike for urban workers. From these perspectives, then, the decision to devalue was not without a political rationale.

Yet, what is apparent on closer inspection of the Ghana case is not that the government responded to pressures from domestic and international sources, but rather that it tried to deal with the economic situation in other ways and then prevaricated so long before taking decisive action. For an extended period in 1970 and 1971, there were disagreements within the government about what were appropriate policy measures; alternative proposals were also put in motion to encourage better

performance of the economy. In particular, the budget for 1970–71 was an effort to use government investments and changes in tariff policy to stimulate growth in the economy, especially in rural areas. The budget, a "bold, blunt statement that put into practice many of the Progress Party's campaign promises, included a 53 percent increase in expenditures in the development budget" (Denoon 1986:156). As the principal actor in formulating the government's economic policies, Minister of Finance Mensah was instrumental in convincing most top-level officials that balance-of-payments problems were of a short-term nature. This view continued to prevail through July of 1971, when the 1971–72 budget, crafted by the minister of finance in isolation from advice and debate in the cabinet, was unveiled.

> The Finance Minister framed his two budgets on the assumption of continued high cocoa prices and he steadfastly and explicitly refused to recognize the limits of available foreign exchange and fiscal resources. His most important economic policy, import liberalization, was implemented without its essential concomitant, an effective import price to reflect the scarcity of foreign exchange. Once he had set the Government on this path leading inevitably to a crisis, the Minister refused to change direction until the crisis was unavoidable. (Killick, Roemer, and Stern 1972:47–48)

Devaluation was systematically resisted as a viable option until the fall of 1971. Moreover, having eventually made the decision to devalue, the decision makers still had complete autonomy to decide by how much (not a trivial issue, given the nature of the interests involved) and had some range of choice concerning the timing and public justification of the announcement. They also had considerable scope for including sweeteners in the devaluation package, such as raising cocoa producer prices, increasing the minimum wage, doing away with the much-resented development tax, and eliminating import surcharges. The history of decision making in Ghana indicates that policy elites actively searched for alternatives to devaluation and then crafted a devaluation package that they thought would prove economically useful at the same time that it would be politically feasible. This scope for action left them considerable room for making mistakes. This last point was apparent in the devaluation—its extent went beyond that required by the economic situation. Moreover, the public was unprepared for the devaluation, and the Busia government proved inept at handling public explanations of the measure.

In this case, the decision makers were clearly constrained by the political and economic situation facing them. But neither the crisis (which they believed eventually forced them to act) nor the pressures (which pushed them in divergent directions, in any case) fully determined their actions. Caught in a difficult situation, perhaps even a no-win situation, the decision makers attempted a variety of approaches to the crisis and put off decisive action as long as possible. Even in these circumstances, however, they were devoid of neither room to maneuver nor the capacity to disagree about appropriate responses. The personality of the minister of finance, and Busia's uncertainty about what course of action to take, form a leitmotif within which the devaluation decision unfolded.

> Mensah's peculiar work habits, his imperious self-confidence, and his contempt for his peers in the cabinet created problems during the period of crisis decision making which culminated in the December devaluation. . . . At the time, Mensah was the czar of Ghanaian economic policy. No one, even Busia, openly contradicted him. (Denoon 1986:154, 156)

An even clearer example of the way in which crisis situations account for characteristics of the process of decision making but do not determine the content of the decisions is that of agrarian reform in the Philippines.[4] In this case, developing a vigorous agrarian reform policy was rejected, but there was nothing inherent in the situation that necessarily preordained this choice. A different group of decision makers facing the same circumstances could have decided differently. In the aftermath of the "people's revolution" that brought Corazon Aquino to the presidency, policy elites could have acted forcefully to promulgate an extensive agrarian reform program and to respond to demands for greater equity in rural areas. For the first eighteen months of the new government, the popularity of and support for President Aquino was high among many domestic political groups, and international lenders were firmly behind an agrarian reform initiative and willing to provide financial support for it. The "moment" for reform might have been seized with considerable prospect of success at this point. Even later, the government might have pursued an aggressive agrarian reform program as a way of undercutting the appeal of the National People's Army in the countryside and solidifying popular support for the government among the peasants. Instead, after much rhetoric in favor of agrarian reform but a series of delaying actions in doing anything about it, Aquino chose to negotiate a ceasefire and amnesty with the insurgent forces rather than to move ahead with a reform program.

It is, of course, easy to understand the government's reluctance to undertake agrarian reform in the face of opposition from large, commercially oriented landlords, Aquino's personal ties to the landed elite in the country, and the constant challenge to her authority from the military. The fact remains that she could have supported an agrarian reform effort and could have used the opportunity as a bold gesture to gain support, yet she chose instead to attempt to negotiate with the NPA. In this case, either outcome can be explained by the circumstances, suggesting the importance of who is assessing the situation and making the decision.

In Ghana and the Philippines, policy elites were agreed that crises existed, and that some action needed to be taken. Yet the scope and nature of the decisions made were not preordained by the crisis. In Ghana, decision makers actually increased the degree of crisis through prevarication; in the Philippines, at least for a period of several months, Aquino could have used the crisis as a high-risk opportunity to reshape productive relationships in the countryside fundamentally and to enhance her own power. At least through 1989, however, policy elites in the Philippines rejected land reform as too destabilizing politically and economically and sought to deal with crises of economic distribution, insurgency, and political support in other ways. It is important to emphasize, however, that they could have acted differently. The process of decision making did not fully determine the content of the decision.

Politics-As-Usual Policy Changes

It is not surprising that the perception of crisis is often responsible for placing an issue on the agenda of government decision making. Nor is it surprising that decisions to make significant changes in public policies are frequently surrounded by an atmosphere of crisis. There is considerable theoretical consensus that crisis provides policy elites with greater autonomy to make choices and that the pressures upon them often push in the direction of significant change. Empirically, also, there is substantial evidence that crisis and reform initiatives are significantly correlated. Among our cases in which a perception of crisis existed among decision makers, all but one of them resulted in significant changes in major policies. Clearly, the stakes are higher, the risks are greater, and attention is more focused when such moments of crisis occur. Situations of perceived crisis appear to be instrumental to major policy changes—although, as we have seen, crisis itself does not dictate what solutions will be chosen nor the form in which they will be introduced.

Noncrisis situations can be expected to generate much less impetus for reform. In fact, much of the theoretical literature reviewed in Chapter 2 indicates that change is not likely to occur at all under conditions of politics as usual. According to this literature, stasis rather than change is the outcome of normal politics, and, in the absence of crisis, most theory is much more able to explain why reform does not occur than to account for its incidence.[5] Marxist, public choice, rational actor, and bureaucratic politics models all focus on the constraints on change and provide a series of logically compelling explanations about why "things are the way they are." Marxist theory indicates that the link between given class alliances and the biases of policy in favor of dominant classes are persistent and inexorable in the absence of crisis. Public choice theory posits a parceling out of state resources to specific rent-seeking groups and a set of assumptions about rational self-interested behavior under normal politics that inevitably leads to an inability to alter policies once they have been considered entitlements by their beneficiaries. Rational actor models build on concepts of uncertainty and risk to explain that change must be understood in terms of satisficing and incrementalism. In the bureaucratic politics approach, normal routines and processes of decision making predominate unless a crisis brings an issue to decision makers' attention and triggers a set of games having to do with position, power, and influence. Each of these models predicts that reformist initiatives will not be successful unless some kind of crisis situation is perceived to exist.

In our cases, however, there is substantial evidence that efforts to change existing policies and institutions do not subside or disappear simply because there is no perception of crisis among policy elites. Reform initiatives appear to be more or less continuously on government agendas. At any given time, a series of ideas about changing existing practice is being debated, studied, discussed, and considered within bureaucratic agencies, legislatures, and groups of interested publics. Many of these ideas are placed in front of decision makers and acted upon. Nevertheless, there is also considerable evidence that circumstances of politics as usual result in processes of agenda setting and decision making that are distinct from those that prevail under circumstances of perceived crisis. Planning reform in Colombia is a case in point.[6]

Planning reform in Colombia got on the agenda in the 1960s when a new administration took over the reins of government and was seeking to enhance the role of the state in guiding the process of economic development. Previous administrations had ignored and weakened the planning institution; the task for reformers was to develop and enhance the prestige of the institution and to attempt to build a nonpolitical image for the planners so that they could have influence in a multisectoral decision-making process, cutting across other agencies and regions and affecting public enterprises and the workings of the central government. A principal concern, then, was the bureaucratic position of the agency and its ability to work with—not in spite of—other ministries and agencies that were inclined to be highly suspicious of competing sources of power. Promoters of the enhanced role of planning in government were

therefore very concerned about strategy; they were less concerned initially about the actual exercises undertaken by the revitalized agency. In particular, promoters of planning had to address the problem of how to "plug planning into the operational goals of government . . . and overcome planning's reputation for failure" (Mallon 1986:1–2).

A foreign adviser arrived in Colombia in 1966, shortly after a Liberal party government had been elected, in order to help promote planning reform. Planning as a function of government had withered under the previous Conservative party government; the new president was interested in seeing the institution responsible for data collection and analysis revived and integrated into national policy decision making. The intention of the president, the foreign adviser, and his chief counterpart in the Colombian government was to make planning the serious heart of development policy making in the country. They developed and pursued a conscious strategy that included (1) carving out an important and useful role for the national planning agency as a source of information; (2) gaining access to policy makers and encouraging them to rely on the information and analyses provided by the agency; (3) building support among prominent technocrats and important officials within the bureaucracy in order to have wide access to decision makers of different political persuasions; (4) involving influential members of society in support for the idea of planning, especially if such individuals and groups might come to power in the future; and (5) strengthening the competence, image, and staff spirit of the agency as a means of attracting and retaining good people to work within it. Overall, this strategy was one of building a coalition of support within the government and among influential individuals and groups in society.

More specifically, internationally recognized scholars were invited to lecture at the agency, considerable efforts were taken to attract university professors into the agency, and attempts were made to carve out a niche for the institution as the technical secretariat of the Economic and Social Committee of the cabinet. This committee had been identified by the reformers as the most efficient policy-making body in the government, and they had enthusiastic presidential support for assuming a role in its activities. Although the agency was formally charged with producing a national development plan, this became a very secondary priority to demonstrating the institution's more immediate usefulness to the government and specifically to the cabinet committee. As a result, the agency did a considerable amount of planning without ever writing a plan. As it evolved, the principal job of the agency became that of assuming responsibility for defining standards for evaluating development initiatives and coordinating the other agencies in project appraisal.

THE PROCESS OF DECISION MAKING

The circumstances that surrounded this effort at reform were far from those of a perceived crisis. Planning reform was an initiative introduced by a new administration as part of a general effort to improve the performance of government and especially to improve the efficiency of foreign assistance channeled into the country through the Alliance for Progress. Although reformers, including a newly elected president, shared a desire to improve the technical basis for policy decision making in Colombia, they never believed that dire consequences would result if the desired changes were not adopted. Likewise, they did not feel under great pressure to "do something" about a situation. There was no perception of threat or impending disaster and little sense of high stakes and risk in the decision-making process. Rather, their task—as they defined it—involved working within the established system over an extended period of time to convince, cajole, and win support for change. The circumstance of politics as usual in Colombia affected the process of reform because it influenced the source of pressures for change, the stakes and the level of decision makers who would be involved in promoting reform, the degree of change considered by decision makers, and the timing of reform.

Pressing and Chosen Problems

Chosen problems are those that policy elites select more or less autonomously as priorities or goals to be achieved. Such problems are often identified on the basis of the policy makers' own perceptions of what constitutes a problem for government or society. In Colombia, although the Alliance for Progress had promoted the importance of planning since its inception in the early 1960s, various administrations apparently felt free to take up the initiative or ignore it. In 1966, a new administration chose planning reform as one among several initiatives it wished to see introduced during its tenure in office. This chosen problem, like others, was part of a longer menu of changes that the government desired and felt relatively free to promote according to the reformers' own preferences.

Although some noncrisis reforms are pressed upon decision makers by those outside government, most politics-as-usual reform initiatives present policy elites with significant opportunities to take up the issue or not. Even when such reforms have important proponents outside of government who seek to influence decision makers, officials appear to have considerable scope to respond seriously or not to those pressing for change. In Colombia, the Alliance for Progress was important in urging planning reform on the government and in providing financial incentives

for it to do so; but to a significant extent, policy makers chose the initiative in response to their own preferences, just as the previous administration had ignored it. The promoters of the idea came from within government, and they sought to use alliance funding and the presence of a foreign adviser to pursue their ideas.

In an initiative to decentralize decision making in Kenya, a similar situation of outside pressure—in this case from the U.S. Agency for International Development—led to similar responses of political officials: in one administration they chose not to promote it; in the next, they chose to pursue the initiative. The divergent preferences of these two different administrations were shaped by their broader political goals and concerns about ethnic support bases in society (Hook 1986). Thus, in contrast to crisis-ridden reform initiatives, under politics-as-usual situations policy elites appear to have greater autonomy to decide whether or not to push for policy and institutional change, and the decision about taking up a reform comes largely from within government.

Stakes

The stakes in noncrisis-ridden reforms tend to be those related to bureaucratic and clientelistic power relationships. In such cases, bureaucratic agencies may be actively engaged in supporting or opposing the reformers, and reformers will no doubt give considerable attention to thinking of strategies for ameliorating opposition, winning over supporters, and avoiding possible sabotage of their plans. These were clearly the preoccupations of the planning reformers in Colombia, whose primary bases of both support and opposition were within government, located among the ministries and agencies that could support or sabotage the rebuilt planning agency. In Kenya, support and opposition to decentralization emerged within the ministries and at various levels of the civil service. Interests outside of government were neither appealed to nor mobilized (Hook 1986).

Such reforms rarely threaten major societal interests, although the clienteles of bureaucratic agencies may become involved as supporters or opponents of the changes. In Colombia, reformers sought allies within the academic community and among potentially influential political actors who were not allied with the Liberal government. For the reformers, the stakes may involve their potential career trajectories and jobs; if they are successful in introducing their projects, for example, they may become more influential in national policy making and enjoy enhanced salaries, greater prestige, or more secure job tenure. The stakes also involve the power, prestige, and budgetary resources of bureaucratic agencies or bureaus; success can mean greater influence in sectoral policy making, opportunities to expand, and more resources to use for a variety of goals, including those of rewarding friends and supporters with jobs or project-related benefits.

In contrast, stakes such as the survival of a regime, overall political stability, economic stability, or the tenure of high-level politicians are rarely, if ever, at risk in politics-as-usual reforms. In Colombia, reformers had diverse reasons for wanting to succeed, not the least of which was a desire to introduce better policy-making practices in the country, but none of them believed that macropolitical or macroeconomic conditions were at stake if they were unsuccessful. When circumstances of politics as usual prevail, the stakes for reform tend to involve issues of bureaucratic power, the career potential of reformers, and micropolitical concerns related to patronage and clientelism.

Status of Decision Makers

In Colombia, the president helped place the issue of planning reform on the agenda; he was also a loyal supporter of the reformers' efforts. He was not, however, actively engaged in developing strategies or making decisions about the scope or pace of change. Instead, because there was little perception of threat to macropolitical or major economic conditions, decision making about the reform remained at lower hierarchical levels, involving in this case technocrats such as midlevel directors and managers in the bureaucracy. The initiative for reform was considered more or less a routine matter, introduction of which would improve overall government decision making and performance, but the absence of which would not threaten the longevity of an administration, regime, or leadership group. On a day-to-day basis, presidents and high-level administrators did not devote much time to bringing about the changes desired by reformers.

Innovation or Incrementalism

Under noncrisis conditions, change is often incremental, with considerable scope for trial and error or scaling up if initial efforts provide positive results. The capacity to implement changes concerns decision makers in these cases, and improving this capacity tends to prolong the duration of the reform. In general, in these reforms there is greater potential for the initiative to become sidetracked by other issues or pushed to the bottom of the policy agenda by more pressing issues. More bureaucratic maneuvering and concern with possible sabotage or resistance is characteristic of reforms undertaken under circumstances of politics as usual. In the case of Colombia, reformers developed and pursued a

strategy of having the notion and utility of planning gradually accepted and inserted into actual decision-making situations.

Timing

As we have seen, the proponents of planning in Colombia were under no great pressure to "do something" about reform in the short term. In fact, their strategy clearly depended on the availability of time and their own capacity to select appropriate moments for pushing for reform or lowering its salience. In the case of decentralization in Kenya, the initiative languished for two years before changed political conditions introduced an opportunity for reform (Hook 1986). In general, when noncrisis circumstances surround a reform initiative, more time is available to decision makers for studying the implications of change, and policy elites are able to determine the extent to which it will be actively pursued. When moments appear to be propitious for reform, they can encourage its pursuit but then place the issue on a back burner when conditions seem to be adverse to success. In fact, institutional reforms in Colombia, Argentina, and Kenya were shelved for long periods of time when little political support was available for pursuing them. While such conditions provide policy elites with greater control over the timing of reform, they may also rob them of the pressured political environment that can act as a stimulus to change.

These characteristics of politics-as-usual reforms tend to reinforce one another in actual policy-making situations. The interrelationship of lower stakes, less high-level involvement, and timing is particularly clear in a case of urban water management reform in India. According to an official involved in this case,

> No domestic actor considered [water management] to be something which required urgent and forceful action. Because of its low problem status, it was considered unnecessary to raise the matter to the political level at either the center or the state. Bureaucracies within the central and state agencies had, over the years, developed sufficient understanding of what were politically possible alternatives and of the time-frame in which they would become implementable. This was not considered an issue that required forcing onto the higher political level, or that was likely to be accepted within the kind of short period the World Bank had in mind. (Bajpai 1988:8)

The Content of Policy

The theoretical literature on how policy and institutional change comes about strongly suggests that reforms pursued in noncrisis situations will not be successfully introduced. Indeed, some of the characteristics mentioned above—in particular, incrementalism and timing—mean that major and rapid changes should not be expected under conditions of politics as usual. Nevertheless, our cases indicate that, although changes are generally incremental and the introduction of reform often slow, politics-as-usual reforms are not necessarily doomed to failure. Reform appears to occur as well under noncrisis conditions as under the more frequently accepted circumstance of perceived crisis, but the process by which it is introduced and adopted is significantly different. Moreover, circumstances of crisis or politics as usual appear to be independent of the success or failure of reform initiatives. In Colombia, for instance, the new planning agency gradually inserted itself into national decision-making processes.

Similarly, in Kenya, circumstances of politics as usual meant a long and slow process of institutional change that, after ten years of effort, appeared to have had some modest success. In 1976, the Kenyan government, at the urging and with the financial backing of USAID, agreed to develop a program of planning and administrative decentralization.[7] The project was initiated even though program documents offered no definition of decentralization, and no one in the government appeared to have definite ideas about what should be done. However, the more central concern was whether anyone at the top levels in government wanted such a program. Although a few strategically located people—such as the minister of planning—believed that economic decisions made at the local level would foster more rational policies, President Jomo Kenyatta had pursued a successful policy of centralization since independence in 1962. His strategy was to increase the central government's capacity to provide benefits to his fellow tribesmen and therefore help sustain the political regime. As a result, by the 1970s, 95 percent of the development budget was controlled from Nairobi. A policy of decentralization conflicted with political and bureaucratic interests in maintaining central control of economic resources.

In the early period, when there was no political support and little bureaucratic interest, the approach taken by decentralization project personnel was to build up a constituency for reform. This meant finding important groups in national and local administration and interesting them in activities that could advance the goals of the project. They had very limited success with this endeavor. For example, one idea was to get the central ministries to disaggregate their spending. The vice-president was persuaded to send out a letter to this effect to the concerned ministries. However, no subsequent attempts were made to implement this project. Simply because a high official ordered a particular action was no guarantee of compliance when there were disagreements in gov-

ernment about the direction of decentralization policy and when it threatened the power of the central ministries.

With Kenyatta's death in August of 1978, a change occurred in the political relevance of decentralization. The new president, Daniel arap Moi, needed to build his own constituency of support and saw decentralization as a way to distribute benefits that would increase loyalty to him. As a result, efforts at decentralization became politicized, with the Office of the President becoming very involved. Even with increased implementation efforts, the central role assumed by the president's office in decisions on decentralization conflicted with the perceptions and interests of the ministries (Smoke 1988). Thus, in spite of continued high-level support, progress toward decentralization was sporadic and slow. It appears that projects such as decentralization have long gestation periods when political and bureaucratic incentives for adoption are weak. Nevertheless, some progress was made. By the mid-1980s, some 15–18 percent of spending was controlled by local governments, local bureaucracies had become stronger in response to their new responsibilities, coordination of resources for development projects was modestly improved, and a rolling process of annual planning was in operation. While such changes are modest compared to the major changes decided upon in Ghana, Korea, Costa Rica, and Indonesia, they are not insignificant and may have important long-term consequences for development in a particular country.

There is no guarantee, however, that circumstances of politics as usual will result in even modest changes in institutions or policies. In the rural primary health care initiative in Mali, for example, the characteristics of noncrisis-ridden reforms were instrumental in bringing the program to an end after only four years.[8] The Mali Health Project (MHP) was the result of a chosen problem. The MHP originated in 1975 at the request of the Mali government, which was seeking funds for medical inputs from USAID. This agency, however, was less interested in medical inputs than it was in introducing a major renovation of the country's health care system. After more than two years of study, a plan was drawn up that reflected USAID's interests more than those of the government of Mali. The resulting rural health program of primary care units based on village health workers and a network of village dispensaries was to be introduced in two regions of the country that were distant from each other and difficult to reach. It took two days to reach each project site from the capital city, Bamako, and direct travel from region to region was impossible. This travel/communication problem was compounded by the insistence of the Malians that the project team be located in the national capital rather than in a regional capital.

In addition to these logistical problems, bureaucratic infighting weakened the project. It was never clear who project personnel were responsible to or which authority, the Mali government or USAID, had the final say on project matters. Though AID lost interest in the project in terms of its content shortly after the contract was signed, it continued to be very involved in administrative matters. AID officials were present at all meetings between project personnel and their Malian counterparts, a practice that the Malians saw as inappropriate interference in the project. Not only did the poor relationship make for considerable administrative confusion, it also left the project without much protection in disputes with other Malian agencies or ministries. The MHP was placed in a weak ministry, a constraint compounded by its placement within the weakest part of the ministry, the Division of Public Health. If changes in laws or regulations were needed, cabinet approval was required. With such a weak ministry, this process took too long and was oftentimes unsuccessful.

Further bureaucratic concerns affected the trajectory of the project. There was a shortage of doctors, and most of them did not want to work outside Bamako. The project also had to deal with a severely understaffed Malian civil service. The government simply lacked enough trained personnel, both in health and in general skills. The lack of an atmosphere of crisis and the extensive bureaucratic stakes involved affected the timing of the project. MHP required that counterparts be assigned to work with foreign advisers, but the Malians did not assign the chief counterpart until six months after the project started. At the same time, the Malians had considerable interest in the project inputs. At the local level, this meant the steady paychecks that came from the project; at the regional and national level, it meant access to vehicles and medical supplies. Given such problems, there is good reason to understand why the project was not extended beyond its initial four years.

The cases of reform in Colombia, Kenya, and Mali demonstrate similar dynamics in terms of where the initiative for change emerged, how the stakes were identified, the status of the reformers, the extent of change introduced, and the timing of reform. They had divergent outcomes, however, in terms of their success or failure. As with the crisis-ridden reforms reviewed earlier, process does not appear to determine outcome.

Conclusions

In many of our cases, the perception of a crisis situation provided an opportunity to introduce significant changes in public policies. Crises, as we have argued, appear to offer an important moment for reform. But

even in our cases of politics-as-usual reform, changes that were successfully introduced appear to have been accomplished in part because moments in national politics opened up opportunities for reformers to pursue their projects. In Colombia, for example, a new administration assumed control of the executive branch with an agenda of reforms it wished to introduce during its four years in office. One of these reforms involved resuscitating the planning function of government. In Kenya, the death of Jomo Kenyatta, who, as president, had consistently worked to centralize political and bureaucratic power in Nairobi, opened up an opportunity for new political leadership to introduce institutional changes in government. Among these was a new interest in decentralization, in large part because the new president believed that decentralization would increase his political capacity to distribute resources to his own supporters. With changing political circumstances, opportunities for pursuing reforms—in both cases, ones already on a latent agenda—were introduced. In contrast, the experiment with health policy reform in Mali was planned and pursued in the absence of any apparent opportunity or moment for reform. Similarly, in the case of urban water management reform in India, no unusual circumstances intervened to give some impetus to the reform. It may well be that reform projects appear to require such moments if they are to be introduced successfully.

We have argued that situations of crisis and politics as usual affect the magnitude and timing of reform initiatives. Some confirmation for this perspective comes from viewing policy changes in a particular sector in a particular country over a long period of time. In such cases, the kinds of changes that are introduced under crisis and politics-as-usual conditions can be seen to differ systematically. In the case of pricing policy for rice in Indonesia, to be explained in greater detail in Chapter 6, a series of policy changes was made over the course of twenty years, beginning in the 1960s. Changes in official prices for rice were recommended by a team of policy analysts and responded to concerns about the economic impact of such prices on urban consumers and the budget. This technical analysis, however, is insufficient to explain the introduction of different kinds of reforms at particular moments. During periods when policy elites perceived the potential for politically destabilizing price increases or shortages of rice, the food logistics agency, BULOG, introduced significant changes in its orientation in price policy. In interim, politics-as-usual periods, reforms tended to focus on improving the operation and efficiency of the agency.

The circumstances surrounding the introduction of policy reform initiatives suggest who the decision makers are likely to be, what pressures they are likely to be under, and how much change they are likely to contemplate. As will be suggested in greater detail in Chapter 8, the insights that obtain from understanding agenda-setting circumstances can be useful in generating strategies for enhancing the potential for reform to be successfully initiated. These agenda-setting circumstances not only set the boundaries for what is likely to occur, they also open up opportunities for influencing the process of reform. Before assessing more fully how agenda-setting circumstances can define room for changing the boundaries of policy space, however, it is important to consider how the framework structures thinking about the processes of decision making and implementation. In the next chapter, the criteria that decision makers apply to issues of policy and institutional change will be the focus of attention. We will see that at the level of the perceptions of policy elites, these criteria differ depending on whether circumstances of crisis or politics as usual prevail.

CHAPTER 5

Making Decisions: The Concerns of Policy Elites

What kinds of issues do decision makers think about when they assess possibilities for changing existing policies or organizational practices? Do they apply any criteria—technical, political, ideological—to guide them toward certain choices? Decision-making situations are almost always complex, and cues about which choices are to be preferred tend to be numerous and conflicting. For any given decision, policy makers may be pushed in divergent directions by specific societal and bureaucratic interests, their own preferences and understanding of the issues involved, the historical and international context within which the problem has emerged, and a variety of other concerns and influences.

In this chapter, we address the issues that policy elites appear to consider when they assess options for change. Our cases are helpful in sorting out the broad range of concerns of policy elites because they indicate that a fairly consistent set of decision criteria explains the choices made. They also display a fairly consistent hierarchy of concerns of decision makers about the impact that their choices will have. Circumstances of crisis or politics as usual play an important role in ordering this hierarchy of decision criteria. Thus, we focus on what appear to be the overriding concerns of decision makers and attempt to demonstrate how the broad orientations of policy-making elites, the contextual factors that help shape those orientations, and the circumstances surrounding specific reform initiatives interact to explain the content of decisions. We return, then, to a central theme of this book: the importance of policy elites in the policy process and the way in which state and societal in-

TABLE 5.1
Criteria for Choices about Policy and Institutional Reform

"Lenses" of Policy Elites	Concerns Influencing Decisions	Influential Actors
Technical advice	Information, analyses, and options presented by advisers, experts	Technocrats, ministers, and other high-level bureaucrats; Foreign advisers
Bureaucratic implications	Career objectives of individuals; Competitive position of units; Budgets; Compliance and responsiveness	Ministers and other high-level bureaucrats; Middle-level bureaucrats; International bureaucrats and advisers
Political stability and support	Stability of political system; Calculus of costs and benefits to groups, classes, interests; Military support or opposition	Political leadership; Dominant economic elites; Leaders of class, ethnic, interest associations; Military
International pressure	Access to aid, loans, trade relations	IMF, World Bank, USAID, other multilateral or bilateral agencies; Governments of former colonial powers; International banks

terests interact in producing—or inhibiting—policy and organizational changes.

Criteria for Choices

In the twelve decision-making cases we investigated, decision-making elites filtered policy options through at least four lenses: the technical advice they received, the impact of their choices on bureaucratic interactions, the meaning of potential changes for political stability and political support, and their concern about relationships with international actors (table 5.1). These lenses appeared to help them assess the risks and benefits of alternative courses of action and to order their thinking about how, and often why, reform should occur. As they applied these different criteria, some appeared to gain in importance, while others be-

came less salient. In the following pages, the cases are used to help explore the factors considered by the decision makers and to explain their relative importance under different sets of circumstances.

Technical Advice

Making decisions in increasingly complex and interdependent economic and social systems has come to include the extensive involvement of technical specialists. Especially in the 1980s, when developing country governments were severely pressed to address difficult macroeconomic problems in their dealings with international lending agencies, the role of technical expertise, particularly in economics, became increasingly important (see, e.g., Milne 1982; MacDougall 1976; Cepeda Ulloa and Mitchell 1980). As we suggested in Chapter 3, few governments have resisted the trend to incorporate corps of technical advisers into middle- and high-level positions, and many governments have increasingly appointed ministers, secretaries, and undersecretaries with professional training—economists, agronomists, educators, engineers, and health professionals, for example. Ministers of finance, planning, and budgeting, and directors of central banks are rarely without degrees in economics and technical teams that they rely on for analysis and advice. In turn, presidents and prime ministers have appointed kitchen cabinets of economic advisers and have often elevated important technical ministries to preeminence in national policy making. Political leaders may need to justify decisions—particularly those that are unpopular—in terms of their technical "correctness" and may therefore increase the visibility of their technical advisers.[1] In countries in which the process of decision making is highly centralized in the executive, much policy discussion may be relatively closed and even secret. Such characteristics tend to increase the importance of technocrats in decision making. These new technocratic elites also include a variety of foreign advisers from international agencies, consulting firms, universities, and governments. The 1980s accelerated the trend toward technocracy in almost all developing countries.

It is not surprising, then, that decision makers in our cases considered the advice they received from domestic and international corps of technical advisers. Ministers with technical training and advisory teams of experts figured not only in the cases of macroeconomic reform but also in those that concerned sectoral policy and organizational changes. The technical advice was often imbued with ideological content, indicating the important role that ideas have in defining "correct" paths to development—decisions to adopt import substitution or export-led growth are good examples of this influence, but so also are decisions to emphasize the planning function in government or the role of markets in setting prices. Technical analyses and technical advisers were particularly prominent in shaping decisional outcomes in Korea and Indonesia; decision makers in these cases responded to the technical input they received and applied it to the problems they sought to solve. Moreover, it was they who determined that the technical advisers would play an important part in assessing options and recommendations. For example, in Korea, the military government that assumed power in 1961 and its civilian successor systematically increased the power of American-trained economists in decision making and relied on their advice about macroeconomic and market-oriented policy reforms. Their work was then critical to the export-led growth policies that were adopted by both these highly centralized governments (Haggard and Cole 1986; Haggard, Kim, and Moon 1987). In Indonesia, efforts by technical advisers helped legitimize the role of policy analysis in price policy in agriculture and were a critical factor influencing the minister of trade, the director of trade research, and the food logistics agency in designing policies for agricultural development (Timmer 1987a, 1987b).

More generally, what the advice was, how it was packaged by the technical advisers, how well it was understood by the decision makers, and how much confidence they had in the advice of the advisers appear to have been important in determining the content of specific decisions. Thus, the technical advice was not automatically accepted but was rather a lens or filter that was applied by decision makers. Their predispositions in terms of the characteristics considered in Chapter 2 were intervening variables that shaped receptivity to and application of the technical advice they received. Thus, in the case of technical advice and the receptivity of decision makers to it, the background characteristics of the policy elites appear to be important. The case of Ghana reflects well the complex way in which technical information feeds into actual decision-making contexts by affecting the perceptions of the decision makers.

> At the end of 1971, the governor of the central bank called an emergency meeting to discuss ways of meeting the economic crisis. No one from the Ministry of Finance attended, underlining the antagonism between the minister and the rest of the economic decision makers. Without his assessment of the economic consequences of the decision, the prime minister and cabinet decided to undertake a major devaluation in opposition to the position of the minister of finance. It later became clear that the cabinet was not well-equipped to evaluate the complex economic information given them in reports that were intended for an audience of trained economists at the central bank. Simpler memos with fewer recommendations should have been prepared to offer clear alternatives to the cabinet. (Roemer and Stern 1986)

In Ghana, technical lenses fit imperfectly, for they appeared to confuse the perception of decision makers, contributing to a poorly informed

decision to devalue. The case of development strategy choice in Costa Rica provides clear evidence of the way the ideas of technical specialists can shape the perceptions of policy elites.

> The most structured and ideologically coherent criticism of traditional conservative ideas of the 1940s came from the "Centro de Estudios de los Problemas Nacionales" . . . the core of ideas which was to orient Costa Rica's development after 1948 emanated from the Centro. . . . [By] the late 1950s, the initial ideas of the Centro slowly sinking down and more than a decade of establishing the ground for industrialization set the stage for an import substitution strategy. (Doryan-Garrón 1988:91–92, 100)

On a more specific level, policy choices can be shaped by the relative power of technical advisers. This was true in the Ghana case, in which the power of the minister of finance waxed and then waned in the period leading up to the crisis; in Korea, where technocrats were largely unheeded by policy makers until regime changes in the 1960s brought them to greater dominance; and in Costa Rica, where the minister of planning and the head of the central bank varied in their influence over time and relative to each other. "Prior to the late 1984 appointment of a very prestigious economist to the Central Bank Post (Eduardo Lizano), the new Minister of Planning, Juan M. Villasuso, wielded the most influence. '1984 was indeed my year' [he stated in an interview]. . . . However, by early 1985, with Eduardo Lizano in full control of the Central Bank and Jorge M. Dengo serving as Economic Team Coordinator, another drive towards more conservative spending policies was pursued" (Doryan-Garrón 1988:32).

Bureaucratic Implications

As indicated in Chapter 2, decision makers frequently represent bureaucratic constituencies. Integral to the choices they make are concerns about how particular changes will affect the power, prestige, budget, and clienteles of the ministry, agency, or bureau they represent (see, e.g., Foltz and Foltz 1988). When policy changes require changed behavior from bureaucratic agencies—greater efficiency or more equitable treatment of low-income beneficiaries, for example—issues of administrative capacity, compliance, and responsiveness are often important to policy elites. Moreover, when reforms imply organizational changes within ministries or agencies, the rivalries, competencies, and morale of the organizations they lead may well weigh on decision makers' minds as they consider options. In addition, bureaucratic leaders are generally concerned with how proposed changes affect their own career options (Grindle 1977).

Thus, a second criterion that emerged in the cases indicates how policy elites are influenced by the bureaucratic politics that surround the selection of policy and institutional changes. With regularity, decision makers within government were concerned with making decisions or supporting positions that would enhance the fortunes—in terms of budgetary resources, influence over programs, prestige, or clienteles—of the bureaucratic entities they led or were part of as well as contribute to their own career opportunities. The advocates of reform in Colombia, for example, were concerned that their efforts to rebuild the planning agency would generate a bureaucratic backlash from long-established ministries that felt threatened by the increased power of the planners. In Mali, public health officials anticipating salary bonuses, vehicles, and other perquisites raised few objections to the health sector reform "so dear to USAID's heart," even when they had serious reservations about its replicability (Gray et al. 1990:35). In the reorganization of the Ministry of Agriculture in Kenya, the permanent secretary was careful to assess and evaluate how his subordinates would respond to the changes (Thomas and Grindle 1988a). In the Philippines, some policy options were rejected in the search for a viable agrarian reform program because policy makers and their advisers were concerned about the lack of administrative capacity and motivation that existed inside the agrarian reform ministry (Thomas and Grindle 1988b).

In fact, in the case of Mali, the health project faltered and then died largely because bureaucratic concerns came to dominate decision making. But these cases also provide evidence that decision makers' criteria are often intertwined. In the Kenya decentralization case, for example, bureaucratic politics influenced the acceptance of reform, but so did a major political change that altered the support group most important to the regime. Moreover, concerns about the impact of reform on bureaucratic organizations can be triggered by expectations about political reactions. For example, in India, the refusal of a number of bureaucratic entities to assume responsibilities for urban water management reform was endemic because public officials were well aware that the reforms pressed upon them by the World Bank could easily incite political instability if they were pursued (Bajpai 1988). No agency wanted to take responsibility for a politically unpopular policy that would damage its reputation and make achievement of its normal responsibilities more difficult. In this case, bureaucratic buck-passing was engendered by concern about extrabureaucratic implications of reform.

Political Stability and Political Support

Decision makers often represent the interests of particular organizations. They also respond to concerns about the political support available to

the regime they represent or to its leadership. How particular decisions will affect the coalitions that sustain the regime in power, how policy changes can help develop new coalitions of support, and how particular clienteles will be affected by proposed changes often weigh prominently in their decisions. In fact, in a considerable amount of scholarly work, the goal of maintaining the regime has been adopted as a way to explain a wide range of policy decisions as well as to account for why certain policy options are off limits because they impose heavy costs on important groups in the society (Ames 1987; Krueger 1974; Lindenberg 1988). The importance of maintaining the regime is also used to explain how government actions are employed as pay-offs to maintain the loyalty of important groups or interests (Bates 1981; Haggard 1985; Srinivasan 1985; Bennett and DiLorenzo 1984). It is understandable that such criteria are often salient to decision makers because of the fragility of the coalitions that support incumbent regimes in many developing countries and because of the limited legitimacy that makes them vulnerable to the performance expectations of supporters (Ames 1987). At the broadest level, Robert Bates (1981:4) has argued that regime maintenance becomes the single most important factor in explaining the perpetuation of economically irrational development policies. "Governments want to stay in power. They must appease powerful interests. And people turn to political action to secure special advantages—rewards they are unable to secure by competing in the marketplace."[2]

Consistently, policy elites in our cases were concerned about how various options would affect political stability, political opposition and support, and the political use of policy resources. Thus, policy reform options were assessed by decision makers in terms of how reactions to them would affect the longevity of the regime in power or the particular leadership group wielding authority. Explicitly political criteria were applied to decision making, and they indicated the importance of building or maintaining coalitions of support for incumbent political elites. In Mali, for example, "the project sites were selected on the basis of political criteria. The Malians had recently fought a 'soccer war' with Burkina Faso (then Upper Volta), and wanted to have a presence in the border area. [In another area], the government wanted to . . . forestall any shifts in political loyalty" (Cash 1987).

The relationship of reform to political coalitions was of primary concern to decision makers in the Philippines: "Adoption of an agrarian reform was considered by some leaders of the government to be central to weakening the appeal of the insurgent National People's Army, but the fact that top leadership saw it as potentially disruptive of its support coalition meant that it was consistently given low priority in the government's policy agenda" (Thomas 1986).

Similarly, decision makers in Ghana were highly concerned about how devaluation would affect the groups thought to be important to maintaining the regime—cocoa farmers and urban elites (Roemer and Stern 1986). In Korea, decision makers believed that rapidly improving economic performance was a critical ingredient in building legitimacy for a new regime. In the case of decentralization in Kenya, President Kenyatta withheld support from the initiative because of the political utility of centralizing public resource allocations for rewarding his tribal support group. The subsequent administration found decentralization more attractive because it allowed the president to use policy resources to build up new constituencies of support (Hook 1986). Water management reform in India, involving fee increases for users, was resisted because of concern about adverse political reaction (Bajpai 1988). In designing Costa Rica's stabilization and structural adjustment programs to meet the demands of international agencies, administrations of the 1980s sought to rotate the costs of adjustment over time among different social groups in order to maintain the country's much-vaunted political stability (Doryan-Garrón 1988). Political concerns such as these were an inescapable aspect of decision making in all the cases.

International Pressure

As we indicate in Chapter 7, policy changes of the 1980s were marked by the role of international actors, including the vulnerability of developing countries to international economic and political pressures (see, e.g., Bacha and Feinberg 1986). During this period of severe international economic crisis, foreign donors, governments, and a variety of international agencies put extensive pressure on developing country governments to make recommended changes (Cohen, Grindle, and Walker 1985; Goldsmith 1988). With badly needed economic resources at their command, they sought leverage through a variety of mechanisms in order to promote changes in macroeconomic and sectoral policies. The power of these international actors was enlarged in part because they often command extensive technical expertise that can influence decision makers. Such issues as choice of technology and institutional reform were also pressed upon governments and often became conditions for "rewards" from international actors. In fact, in some explanations of policy choice, developing country governments are portrayed as having little or no choice but to acquiesce in the demands and recommendations of such powerful bodies as the International Monetary Fund and the World Bank (see, e.g., Payer 1974).

Indeed, a fourth factor that was regularly considered important by policy elites in our case histories was the role of international actors and

international economic and political dependency relations in determining the outcome of decision making about reform. In South Korea, the U.S. ambassador withheld PL480 food aid in 1963 to pressure the government to adopt a stabilization plan and to hold elections (Haggard and Cole 1986; Haggard, Kim, and Moon 1987). The health sector reform initially suggested by the Mali government was taken over and radically redefined by USAID; in Jamaica, export promotion resulted from strong advocacy by the World Bank and the interest of government officials in receiving U.S. and World Bank assistance (Gray et al. 1990; Veira 1988).

As indicated in Chapter 4, however, these cases suggest not that policy elites have no choice when confronted with pressure from international agencies, but rather that decisions tend to reflect concern about the role of the international actors and how various options would affect relationships with them. The salience of pressure from international actors varies over time, and often in conformance with the perceptions of the policy elites about other concerns (see, e.g., Krasner 1978; Mares 1985).[3] In cases such as Korea and Ghana, decisions that reflected international pressures were taken after long periods of resisting or ignoring those pressures because policy elites had other priorities (Haggard and Cole 1986; Roemer and Stern 1986). In the Philippines, international pressure was a concern of decision makers but was not decisive in whether to pursue agrarian reform or not (Thomas 1986).

The cases also indicate how international actors become engaged in bureaucratic interactions in developing countries. In the Latin American cases of planning reform, for example, resources made available through the Alliance for Progress were used effectively within bureaucratic agencies to enhance the prestige and bargaining power of the agencies (Mallon 1986). In India,

> The Finance Ministry's general approach towards foreign aid is to maximize its volume on the most concessional terms available while minimizing external interference with established national policies. . . . [In the case of water management reform] the point repeatedly made by the Indian authorities was that . . . the [World] Bank was welcome to present its point of view for discussion . . . but that India could not accept wholesale policy change leveraged on particular projects. . . . Detailed discussions between the Bank, the Finance Ministry, and the Ministry of Works resulted in a compromise. (Bajpai 1988)

Technical analysis, bureaucratic interactions, concerns about political stability and support, and international leverage were factors that emerged repeatedly in the explanations offered by insiders in reform experiences to explain a variety of outcomes. These factors, summarized in table 5.1, emerged as a fairly consistent set of criteria that decision makers applied to specific options for policy and institutional change and that shaped their thinking about how to proceed on specific issues. How they were applied and how seriously they were considered tended to reflect the background characteristics of the policy elites—their ideological predispositions; their professional training, bureaucratic responsibilities, and political commitments; and their experience with similar choices in the past—as well as the interlocking general contexts related to historical and international conditions and bureaucratic capacity. This multiplicity of influences and concerns helps explain why decision makers, who appear in our cases to be serious and relatively well informed, frequently make mistakes in judging the political and economic consequences of the choices they make.

The Salience of Decision Criteria

Because of the consistency with which the four criteria emerged in the cases, they provide a first cut on the kinds of issues that decision makers consider when they assess options for policy and organizational change. Nevertheless, it is clear that the importance of each of the lenses through which specific decisions are viewed varies over time and among policies. A second cut on the concerns of policy elites can be made by considering the factors that appear to determine the relative importance of various criteria. In order to explain their variable salience, the characteristics of the agenda-setting process for specific issues provide important cues. Are policy elites considering a particular issue under circumstances of perceived crisis, or are they operating within a context of politics as usual? Answers to this question will signal the relative priority of distinct decision criteria for decision makers, indicating which lenses are most important to them under particular circumstances. Agenda setting and decision making are thus closely intertwined.

We believe that, overall, the cases suggest that crisis-ridden reforms are adopted or rejected most frequently in conformance to the priority of maintaining political stability, and that politics-as-usual reforms most frequently reveal the priorities of political support and bureaucratic implications. Technical advice and international pressures often figure as important factors considered, but they are generally subordinated to the political and bureaucratic concerns of decision makers. Additionally, we believe that we can make a distinction between macropolitical concerns (involving the implications of reform for broad categories of regime supporters and opponents and its implications for regime stability and survival) and micropolitical concerns (involving the implications of reform for narrower constituencies and clienteles, more short-term rewards for such support, and the political or bureaucratic fortunes of specific in-

TABLE 5.2
Macropolitical and Micropolitical Concerns of Policy Makers

Circumstances of Agenda Setting	Political Concerns of Decision Makers
	MACROPOLITICS
Perceived crisis	Legitimacy of the regime; Survival of the regime; Survival of the institutions of government; The "national interest"; Broadest categories of support groups (classes or sectors); Availability of policy resources to build major coalitions of broadly defined groups; "High politics"
	MICROPOLITICS
Politics-as-usual	Meeting parochial demands of interest groups; Availability of policy resources for "parceling out" to narrowly defined groups in exchange for political support; Clientelism; Short-term interests of political elite; Career aspirations of individual politicians; "Low politics"

dividuals). Crisis-ridden reforms tend to raise the salience of macropolitical concerns, while politics-as-usual changes often invoke micropolitical concerns.

The distinction between macropolitical and micropolitical concerns is not always clear-cut, for in politics-as-usual circumstances, overall political stability may be achieved by paying close attention to narrowly defined clienteles and responding to the short-term interests of specific groups. Nevertheless, we believe the distinction is useful in a general sense because it provides insights into the categories of political concerns that are relevant to decision makers. As summarized in table 5.2, macropolitical concerns, most prevalent under crisis situations, mean that policy elites pay particular attention to how reforms will affect the legitimacy of the regime they serve, longer-term political and economic goals, major definitions of "the national interest," class alignments, and the overall survival of the regime. Micropolitical concerns, most relevant in the non-crisis-ridden reforms, include concerns about the more parochial demands of specific interest groups, the use of policy resources to maintain clientelistic relationships, the parceling out of policy resources to ensure political control, and the more short-term interests of political elites (Hampson 1986; Doryan-Garrón 1988). The distinction between macro-politics and micropolitics suggests that the definition of politics by policy elites shifts under two different agenda-setting circumstances.

The following three hypotheses generalize from a limited number of cases of policy and institutional change about the hierarchy of concerns that appear to be relevant to decision makers.

Hypothesis 1:
In crisis-ridden reforms, decision making tends to be dominated by concern about major issues of political stability and control. Technical analysis, bureaucratic interactions, and international pressures often assume importance in these decisions but usually remain subordinate to concerns about the stability or survival of the regime in power or the longevity of its incumbent leadership.

Hypothesis 2:
When noncrisis-ridden reforms concern policy issues, decisional outcomes tend to be dominated by micropolitical and bureaucratic concerns. Technical input and international pressure are important, but not decisive, in explaining policy choice under these conditions. Major issues of political survival and support building are usually not salient to decision makers.

Hypothesis 3:
When noncrisis-ridden reforms concern issues of organizational change, decision making tends to be dominated by bureaucratic concerns. International pressures often emerge as part of bureaucratic interactions in these reforms. Technical input and concern for political survival are usually not salient to reform decision makers.

Table 5.3 summarizes the hypothesized linkages between circumstances in which agendas are set and criteria for making decisions. In the pages that follow, we use specific cases to illustrate each of these hypotheses. The cases of structural adjustment in Korea and health care in Mali indicate the differences in the salience of criteria that emerge under distinct circumstances of perceived crisis and politics as usual. The case of development strategy change in Costa Rica is an interesting illustration of how changing circumstances can alter the decision criteria of policy elites. Finally, the case of reorganization in the Ministry of Agriculture in Kenya indicates the salience of bureaucratic concerns in organizational reforms.

TABLE 5.3
Agenda Setting and Decision Making

Circumstances of Agenda Setting	Characteristics of Decision Process	Policy Elites Most Concerned About . . .
Perceived crisis	Frequently, problems pressed upon decision makers by interests outside of government; High political and economic stakes; Small groups of high-level decision makers closely involved; Major changes from prior policy (innovation); Sense of urgency to act, "do something"	Macropolitical issues such as legitimacy, social stability, costs and benefits to major national interests, duration of regime in power
Politics-as-usual	Frequently, problems "chosen" by decision makers for action; Low political and economic stakes; Middle- and lower-level officials involved, dependent on high-level support for action; Incremental changes in existing policy or institution; Little sense of urgency, with promoters of reform able to control extent of emphasis on change	Bureaucratic issues such as careers, budgets, compliance and responsiveness of implementers, incentives to modify bureaucratic behavior and procedures; Agency power within government; Micropolitical issues such as clientelism and narrow coalition building

Structural Adjustment in South Korea

Between 1960 and 1966, governments of South Korea adopted far-reaching policy reforms that ultimately reoriented the country's strategy for economic development.[4] Critical changes—a large devaluation and stabilization package, followed by new policy instruments to increase government revenues and encourage export-led growth—were made between 1964 and 1966. These changes confirm the characteristics of crisis-ridden reforms. Policy makers were keenly aware of a need to do something to improve the economic situation of the country. They were also under considerable pressure to make significant changes—from the military, the government's corps of reformist technocrats, leftist students, and the U.S. government. Two bad harvests of rice and barley in 1962 and 1963 created harsh food shortages and rising food prices in 1963 and 1964. Threats by USAID personnel to withhold PL480 food aid added to the sense of crisis within the military government in power between 1961 and January 1964 and its successor, the elected government of Park Chung Hee. The stakes were high for these regimes because they needed to consolidate power and legitimize their leadership. As tends to be the case with crisis-induced reforms, the decision makers were a small circle of high-level officials in a superministry—the Economic Planning Board—and the cabinet. The magnitude of the changes was significant and amounted to reversing the previous development strategy of import substitution. Thus, the changes in policy cannot be considered incremental. Moreover, most of the policy changes were accomplished within two years, corresponding to the urgency felt by the decision makers to respond to what they considered a crisis in the country's development.

The sense that a crisis existed, although clearly encouraged by the food shortages of 1963 and 1964, was not simply the result of an objective appraisal of economic indicators. Indeed, the Korean economy had been in difficult straits throughout much of the late 1950s and early 1960s, and pressure from the United States to reform economic policy had been a constant in Korean decision-making conditions since the late 1940s. The Syngman Rhee regime, however, successfully resisted or ignored pressures to alter existing policies that gave strong emphasis to import-substituting industrialization through a wide variety of benefits for domestic entrepreneurs. The U.S. government appeared to be in a powerful position vis-à-vis the regime, but in fact, it was not able to dictate policy.

> The significance of U.S. support for the Rhee government can hardly be overstated. AID financed nearly 70% of total imports between 1953 and 1961 and 75% of total fixed capital formation. In return for aid, the U.S. sought various economic policy reforms. . . . The reforms sought by the Americans over the fifties cut directly against Rhee's political interests, however. Rhee and his Liberal Party maintained power and financed their political activities through the distribution of patronage and various economic rents. . . . The aging nationalist proved skillful at manipulating Korea's strategic significance to maintain the flow of economic and military support. . . . Even when the United States began to reduce its aid commitments and succeeded in coupling aid with an annual stabilization program, it could not secure Rhee's commitment to a coherent and consistent planning effort. (Haggard, Kim, and Moon 1987:8–9)

In the early 1960s, however, political leadership changed, a new regime

needed to consolidate power, and the perception that a crisis in economic development existed found greater credence among decision makers. The moment seemed more propitious for policy reform.

In many ways, then, it was the collapse of the Syngman Rhee regime in 1960 that opened the way for the adoption of stabilization policies and the initiation of important economic reforms. In the latter Rhee years, a broad range of policy instruments was used to increase the political control of the Liberal party. For example, licensing of all sorts, receipt of foreign exchange, and import-export business were all tied to the political machine, with Rhee having a direct hand in the allocation of many of these resources. Reformist technocrats in government were routinely ignored and circumvented as policy instruments were used to respond to the political rationality of rewarding important clienteles and support groups rather than to an economic rationality emphasizing efficiency and performance.

Violent student protest against Rhee's style of rule, poor economic performance, and complaints of a rigged election led to the demise of the regime. It was replaced by a short-lived civilian government that undertook economic reforms with only limited success. Then, a coup in May 1961 brought the military to power. The new military government, although split between older generals and younger, more radical colonels, was reformist in orientation and responsive to the broad concerns of the student protesters. Both groups found common ground in their concern to improve economic performance, in order to justify the coup and legitimize military leadership that had assumed power extraconstitutionally. The military government, in power between 1961 and 1964, centralized political power and economic policy making in the executive and consciously increased the relevance of the reformist technocrats in decision making. Regime change and a leadership group oriented toward reform thus opened the way for significant policy changes.

Beginning in the spring of 1963, the government began to make key economic changes to respond to what it identified as severe problems in the economy. In May 1964, under the civilian government of the former military junta leader, Park Chung Hee, policy makers agreed to a large devaluation. Stabilization measures, pressed upon the government by the USAID mission in Seoul, followed closely in the wake of the devaluation, as did tax and interest rate reform and policies whose goal was to expand exports and increase savings. Soon, with a change of American assistance personnel, export promotion as a development strategy assumed greater importance, and stabilization as an objective of macroeconomic policy receded in importance. The decisions to adopt such far-reaching reforms were not easily made. Many Koreans had grown up under tight trade controls and import allocations and were familiar with an economy that limited business flexibility and paid high rents to those who ran and benefited from the controls.

In the mid-1960s, however, several reasons came together to overcome resistance to change. First, Park encouraged an environment favorable to reform and placed great emphasis on "getting things done." This urgency to improve economic performance was instrumental in elevating the importance of technocrats in government. As early as 1961, American-trained Koreans in the Ministry of Finance, the Ministry of Reconstruction (Planning), and the state-owned banks were convinced of the benefits to be gained from macroeconomic and market-oriented policy reforms; however, at that time, they were not in positions of power. The deputy prime minister, head of the Economic Planning Board, brought these young technocrats up through the ranks, often skipping them past more senior people. These technocrats were supported by economic advisers in the USAID mission, who sent a clear message to the Korean government to adopt their advice, or U.S. aid would be cut back over the short term and gradually phased out over the longer term. The leadership thus faced a major loss of assistance at the same time that the bad harvests of the early 1960s created inflationary pressures and the prospect of significant balance-of-payments problems. Export growth was advocated by the technocrats as a way out of these economic problems and as a way of reducing vulnerability to external pressure; it was adopted by Park, who recognized the need to change policies.

These factors clearly encouraged the adoption of reforms, but it is unlikely that the domestic and foreign technocrats would have been listened to so carefully if it had not been for Park's concern about consolidating and legitimizing his power. Thus, concomitant with a variety of policy reforms came other measures that helped ensure their pursuit. He moved quickly to shift potential opponents out of government and to create loyalists through a series of promotions. Park had barely won the election of 1963, and he came to identify economic growth as the factor that would enable him to strengthen his power and give him broader political support. Domestic political opposition to such drastic changes should have been expected, but the political opposition was fragmented. Students were still active, but the left had been squashed under the military regime, and, as the new policies came into effect, business slowly came into the government's camp. Toward the end of 1965, the success of the new policies helped convince many that export growth was really happening, creating an *ex post* confirmation of the strategy.

The Korean case demonstrates the influence of the decision criteria that have been identified. Policy makers in South Korea in the early and mid-1960s shared an orientation toward reform, created in part by their dissatisfaction with the policies of the Rhee government and more general

concerns about economic growth, efficiency, and getting things done. This general orientation increased the visibility of the technocrats and made the policy makers open to their advice about appropriate instruments for reorienting the country's development strategy. A greater emphasis on centralized decision making further increased the weight of the technocrats' advice. Bureaucratic politics was also a factor of concern to the policy makers as they increased the power of the economic bureaucracy and used government positions to increase political support and limit the capacity of corruption and clientelism to stymie agreed-upon reforms. Political stability and support were clearly goals the leaders wished to achieve, and much of their adhesion to the new departure in policies can be ascribed to the belief that the impact of the reforms on the economy would increase their political base of support and aid them in consolidating power. The impact of international pressure was pervasive, both as a contributor to the sense of crisis and as a criterion that influenced the decisions made. American advisers and American threats were clearly taken into consideration in the assessment of reformist measures.

The case suggests that the importance of the four lenses through which policy makers viewed proposed changes varied. Indeed, as indicated in hypothesis 1, the military and civilian governments were preeminently concerned with the issues of political stability and support and evaluated policy options in terms of their potential to contribute to these goals. Their receptivity to advice from both domestic and foreign technocrats, as well as their concern about the possible actions of the Americans, also contributed to the decisions that were made, but these factors were always subordinate to political concerns. Bureaucratic interactions appear to have been of least salience to the decision makers, in the sense that they did not appear to constitute a major constraint but rather an instrument that could be manipulated to promote the adoption and effectiveness of reform. Significantly, the predominant concern over the political impact of the reforms tended to center on macropolitical effects, that is, concerns about the legitimacy and longevity of the regime headed by Park. This can be contrasted with the situation under the Rhee government—problems were increasingly grave, but decision makers did not behave as if they believed a crisis existed—when political concerns tended to focus on micropolitical pay-offs of policy resources to specific and more narrowly defined clienteles.

Decision criteria, at least in the Korean case, do appear to assume different salience for decision makers. We believe this is related to the circumstances under which particular reforms are considered. Korean decision makers in the early to mid-1960s believed that economic and political crises faced their country. Pressing problems, high stakes, and urgency not only contributed to the fact that the changes considered were major departures from prior policy but also meant that these changes were carefully evaluated in terms of their potential political impact on the regime and its incumbents. The case of Mali's health reform, presented in Chapter 4 and briefly recapitulated below, indicates a significantly different ordering of elite priorities. We believe these priorities are related to the politics-as-usual circumstances that placed health reform on the agenda for government decision makers.

Health Policy Reform in Mali

As will be recalled from Chapter 4, health care reform in Mali was a chosen problem, and no particular event or stimulus could be identified as providing a propitious moment for reform. Decision makers were at middle and high levels in the Ministry of Health, a relatively weak ministry within the government, and the stakes for top-level leadership in the government were low. No particular crisis or sense of urgency stimulated rapid response or the complete rejection of existing policy. In fact, it took two years to develop the plan, and its content was largely drafted by USAID personnel and consultants in the absence of any real involvement on the part of the government. In the reform initiative, the dominant concerns of policy makers and implementers were with the problems and benefits that would accrue to the ministry and its personnel if the change were pursued. Thus, bureaucratic infighting (which involved considerable tension with USAID), reluctance of technical personnel to commit themselves to the change, and the desire to acquire project resources such as vehicles, supplies, and regular paychecks figured prominently in decision making. More explicitly political criteria were applied in the selection of sites, but the concern for political support building did not appear to incorporate the macropolitical concerns of national political leaders. Bureaucratic and micropolitical concerns seemed to dominate decision making in this case, and technical concerns appear to have played more minor roles in determining decisional outcomes. Contrary to hypothesis 2, however, the importance of international actors for the Malians was great.

Based on the examples of reformist initiatives in Korea and Mali, the salience of decision criteria applied by decision makers does appear to vary with agenda-setting circumstances. If this is plausible, then the priorities among decision criteria should change when the dynamics of agenda setting change. This situation appears to have occurred repeatedly in the case of Costa Rica. Between 1948 and 1986, that country made four major transitions in development strategy. Major changes occurred when policy elites believed a national crisis existed; their decisions were generally dominated by concerns about the macropolitical consequences of

change. When the crisis was considered to have passed, policy changes conformed to the model of politics as usual, and more micropolitical criteria were used to evaluate options.

Development Strategy Reforms in Costa Rica

The four shifts in development strategy in Costa Rica correspond to the tenures of specific administrations.[5] In the first shift, which occurred in 1948–49, the state assumed greater control over the economy by nationalizing the banks, which limited the traditional power of importers and coffee exporters. A new strategy of modernized primary export-led growth was promoted through policies to encourage agricultural diversification. This strategy was significantly altered between 1959 and 1963 when Costa Rica joined the Central American Common Market and adopted a strategy of import substitution. Then, in 1972, the "entrepreneurial state" was created, and with it, efforts to deepen the structure of the country's import-substituting industrialization were pursued. Between 1982 and 1986, this strategy was rejected in favor of a liberalized export promotion strategy.

In each case, policy makers perceived a developmental crisis that stimulated the search for alternative solutions. Table 5.4 summarizes the changes and the elements of crisis that were perceived by the state elites under the four strategy shifts. The changes generally appeared on the policy agenda of government decision makers as pressing problems, and the stakes were considered to be high by policy elites, involving their ability to hold a broad supportive coalition together and to maintain the regime in power and/or the incumbency of the political party they represented. In each case, decision makers included the president, the minister of finance, the minister of planning, and the director of the central bank as well as corps of advisers—both political and technical—in government and the political parties. Finally, the changes in policy were innovative rather than incremental.

Of course, a wide variety of factors helped put strategy changes on the agenda of government action in Costa Rica, and a series of factors is useful in explaining the content of the policy changes made. In each of them, however, decision makers sifted through a series of decision criteria in crafting the content of the strategy shift. For example, each shift required a new vision or definition of development and how to achieve it. New development ideologies were adopted by policy makers, often as a result of the work of technical specialists, and these in turn contributed to their receptivity to advice from domestic and foreign technocrats. A good example of this was the shift to import substitution, in which the work of Raúl Prebisch and others from the UN Economic

Commission for Latin America played a key role in reorienting policy and encouraging the ascendance of a corps of technocrats within government. Similarly, in the shift initiated in 1982, technical analyses of the origins of the country's economic crisis played a key role in the emergence of a new development strategy.

Development strategy shifts also corresponded to major shifts in coalition partners in Costa Rica. In each case, decision makers appeared to have consciously attempted to incorporate new groups into the elite structures of the economy and the government while undercutting the power of those representing the most negative aspects of the previous strategy. In the late 1940s, for example, José Figueres consciously sought to undercut the power of agro-exporters, importers of manufactured goods, and financiers and banks while incorporating small agricultural producers and a new class of agro-industrialists into economic and political power (Doryan-Garrón 1988:13–14). Luís Monge sought to build national consensus around a new development strategy in the 1980s and was followed by Oscar Arias, who worked actively to promote "an equilibrated, balanced path towards an export-led strategy where adjustment costs would be rotated among different sectors, where the key would be gradualism, and where the country's social stability would be a major concern" (Doryan-Garrón 1988:41).

The role assumed by international conditions and actors also weighed in the minds of decision makers, particularly during the development shifts of 1959–63, when decision makers were principally concerned about the activities of other Central American countries, and the shift initiated in 1982, in which Central American regional instability, USAID, the IMF, and the World Bank all increased in salience for decision makers. As with other cases, however, these international concerns did not necessarily determine policy outcomes. Indeed, even in the midst of a major economic crisis in the 1980s,

> [President] Monge delayed signing another IMF Stand-by Agreement [in 1987]. To do so, he needed World Bank and USAID support because of a crossed conditionality mechanism. . . . The IMF requested the simultaneous signing of a Structural Adjustment Loan (SAL) with the World Bank and negotiations with the Club of Paris. The World Bank made signing the IMF agreement a pre-condition. USAID listed both as conditions for greater economic aid. This complex situation allowed the administration to delay the IMF agreement, mainly done in order to obtain World Bank and AID support in a stance against the more severe IMF restrictions regarding social policies. . . . In this case, then, the government used cross conditionality to play off one international agency against the others. (Doryan-Garrón 1988:35)

The elites' concern with macropolitical factors during crisis decision

TABLE 5.4
Development Strategy Shifts in Costa Rica

	Date President			
	1948–1949 José Figueres	1959–1963 Mario Echandi	1972–1978 José Figueres	1982–1986 Luís Monge
Strategy adopted	Modernized primary export-led growth	Import substitution	Entrepreneurial state; Deepening of import substitution	Export-led growth
Elements of crisis perceived	Dominance of traditional oligarchy encouraging economic and political instability; Emergence of new economic sectors without access to decision making; Potential for violence	Sharp drop in coffee prices, adverse prices for bananas, cocoa; Other Central American countries embarked on industrialization process; Crisis of primary export-led growth strategy	Deterioration of CACM; Increased vulnerability to foreign capital; External disequilibrium	Sharply declining GDP and real per capita GDP; Rapid escalation of inflation; Unemployment; External debt; Exhaustion of import substitution
Moments for reform	Aftermath of civil war; New constitution; New administration	New administration; Different party in power	New administration; Different party in power	New administration; Severe economic crisis perceived by populace
Principal changes adopted	Nationalize banks; Implement social and labor legislation; Tax on capital; Agricultural diversification; Introduction of economic bureaucracy	Join Central American Common Market; Incentives to domestic production; Strengthen power of state economic bureaucracy to allocate resources	Creation of Costa Rican Development Corporation	Stabilization; Dismantling of entrepreneurial state; Structural adjustment

Source: Doryan-Garrón 1988.

making is important in explaining all of the strategy shifts. In Costa Rica, state elites were actively involved in efforts to establish a national consensus on the importance of change, and crisis situations appeared to have provided them with additional autonomy to influence the content of the new strategy. In the 1980s, for example,

> President Monge's landslide victory in 1982 also reflected a consensus for change and for the new President to have full control over the Executive, Congress, and local governments. Electoral support, in addition to the agreement with the opposition, created a political and economic environment where domestic political pressures were lessened. Aided by the macropolitical environment brought on [by] the crisis, state elite decision makers can construct their own ideas about how to deal with the crisis. (Doryan-Garrón 1988:159–60)

If we examine what occurred between major strategy choices in Costa Rica, however, the priorities and autonomy of decision makers appear to have been significantly different. During periods when elites did not agree that a crisis existed, pressure groups took on added weight in decision making, and micropolitical factors tended to dominate decisions about policies and resource allocation. Moreover, after strategy shifts occurred, the bureaucratic power of individuals within the president's economic team was often related to incremental adjustments in the dominant strategy. Frequently, for example, the views of the director of the central bank conflicted with those of the minister of planning. In the Monge administration, the ascendance of, first, the director of the central bank, then the minister of planning, and then the central bank director once again, led once more to adjustments in the overall export promotion strategy. One example of the influence in the shift in circumstances is the administration of Rodrigo Carazo between 1978 and 1982. Even though Carazo advocated a change in the country's development strategy, politics-as-usual circumstances stymied efforts at instrumenting major innovations.

> Within the framework of a stable economy, fairly high GDP growth, and cheap foreign loans during his first three years in office, Carazo did not face the opportunities for change (nor the dangers) which a crisis provided. Without this sense of crisis, micropolitical motives, distributional coalitions and short-sighted electoral politics became the everyday reality of Costa Rican society from early 1978 to early 1981. Carazo appeared to have the will and the beliefs necessary to bring about a change in development strategy, but he needed a push from a crisis situation. (Doryan-Garrón 1988:159)

This Costa Rican case is instructive in linking changes in agenda-setting circumstances to distinct decision criteria of policy elites and in indicating that the autonomy of decision makers to craft policy solutions varies

with such circumstances. It appears that, even though the stakes are higher for decision makers under crisis-ridden circumstances, their autonomy to develop solutions is increased. If their autonomy to define solutions is greater, however, so is their capacity to misjudge the political acceptability of proposed reforms. Concern for the macropolitical impact of change is a logical consequence of this high-risk situation. A very different set of factors emerges in the final case considered here, that of a ministry reorganization in Kenya in which concerns about bureaucratic interactions were most salient to decision makers.

Reorganization of the Ministry of Agriculture in Kenya

The third hypothesis predicts that decision makers will be primarily concerned about bureaucratic politics in instituting organizational reforms and will be little concerned with technical analysis and issues of political survival. This case is well illustrated by an effort to reorganize the Ministry of Agriculture in Kenya in 1978 and 1979.[6] Ministry reorganization in Kenya was facilitated by an important political moment; thus, although this politics-as-usual reform principally involved bureaucratic concerns and bureaucratic implications, it occurred in part because the bureaucracy was embedded within a broader political context.

In August 1978, President Jomo Kenyatta, Kenya's only president since independence in 1963, died. Kenyatta's long period of leadership was based on political support derived from his role as the leader of the national movement for independence and on his strong power base in the Kikuyu tribe, the largest tribe, which represented approximately 25 percent of the population. There were widespread apprehensions in Kenya and abroad as to the potential conflicts that might occur in the struggle for succession. It was therefore a source of pride to Kenyans when the vice-president, Daniel arap Moi, succeeded to the presidency in a smooth constitutional manner. Moi, a Kalenjin, came from one of the smallest tribes in the nation and had no independently established power base. According to the constitution, the new president had to call an election within sixty days of succeeding to office. To win this election, Moi had to consolidate his presidency and to build his own, non-Kikuyu power base. He moved quickly to use the power of appointment to accomplish this. Among his first acts were to appoint a new cabinet, to select new heads of Kenya's many parastatal organizations, and to reorganize the senior civil service.

The Ministry of Agriculture, one of the most powerful ministries, was affected by these changes. It had the largest number of employees and the largest budget of all government dependencies because of the importance of agriculture to the country's economy. Agriculture constituted 42 percent of Kenya's GDP in 1977 and accounted for 90 percent of total exports. Agricultural land holding was the basis of power and wealth for many of Kenya's upper class. In addition to the ministry, there were over twenty parastatal organizations in the agricultural sector. The minister or the permanent secretary of agriculture chaired most of the boards of directors of the parastatals. In addition, there were several powerful private organizations such as the Kenya Farmers Association that acted as lobbies in the sector.

President Moi appointed a new minister and permanent secretary (PS) of agriculture in 1978. Shortly after taking up his assignment, the new PS noticed that virtually every problem or issue came directly to his office. His work load was overwhelming, and priorities were often dictated by external circumstance. Because of constant claims on his time, he usually was not able to start on each day's large accumulation of files until well after the end of the official working day. He was soon quite concerned because he was finding himself constantly reacting to questions that were brought to him, but he was rarely able to control problems or initiate solutions.

To understand the situation better, he undertook a review of the functioning of the management of the ministry. He spoke with all the principal officers to get their explanation of how they conceived their roles and their views of how the ministry should work. He also consulted a foreign management adviser who had been working in the ministry for about a year and a half. What he learned confirmed his initial impressions. The various assistant secretaries did not have continuing responsibilities but awaited the assignment of specific tasks by the PS or deputy secretaries. Moreover, as he observed the functioning of his staff, the PS began to notice that there was an informal power network that ran vertically within the ministry but often across formal lines of authority. This network was based on tribal affiliations. Each officer was tied into an informal tribal-based network that often conflicted with formal lines of authority and responsibility.

After some reflection, the permanent secretary decided that the only way he could manage and control his job was to assign specific responsibilities to each of his management staff and hold each accountable for performing these roles. Each would have responsibility in his or her area for following specific issues, organizations, and topics. Each would be responsible for reporting to the PS before any issue became a problem and for warning him in advance and providing a full briefing when decisions were needed on a specific issue. Others would have continuing responsibility for monitoring the performance and issues of parastatals and either briefing the PS before he attended board meetings or keeping

him fully informed if they attended on his behalf. In addition, the PS identified several areas of major responsibility such as monitoring food availability in all regions of the country and monitoring the implementation of development projects. These were to be assigned to specific officers.

The PS knew that such an organization would be controversial and even threatening because staff might resist the notion of being held responsible for a particular area of the ministry's work. He wanted to carry out the reorganization with a minimum of disruption. Consequently, he discussed the plan with all senior management staff individually, and job assignments were revised to suit individual skills and preferences. Every officer assured the PS personally that he or she supported the plan. The concept and the specifics seemed to be received enthusiastically, and everyone appeared to be willing to make his or her best efforts to implement the new system.

Nevertheless, after the PS implemented the new plan, some unforeseen problems began to emerge. The deputy secretaries, for example, resisted the new arrangements, despite their earlier verbal endorsement of the changes. In the past they had been able to assign much of the work to the assistant secretaries, and they felt that the new system shifted power to the PS. There was also resistance from some of the assistant secretaries who did not like what appeared to be a heavier work load, less free time, and being held accountable for continuing performance. The most serious problem arose because of the nature and influence of the informal power structure within the ministry. Officers often were unwilling or unable to move across these informal power networks and share information with those of other groups.

In the face of these problems, the PS took steps to enforce his reorganization. He set in motion arrangements to transfer one of the deputy secretaries and to replace him with someone he thought would be more sympathetic to what he was trying to accomplish. Unfortunately, that took a long time. Before it was accomplished the PS himself was transferred. Moi had won the election and was now securely in power; to tailor government to his needs, several shuffles of top officials took place. Thus, the PS was moved to the Ministry of Sports and Culture after less than eighteen months in the Ministry of Agriculture. The new personal secretary of agriculture had to deal with an imminent food shortage, so he did not take on the issues of internal organization in the ministry for some time. In the interim, officers generally slid back into the old system of waiting to be assigned specific tasks. The reorganization of the ministry came to a halt.

In this case, while the general context indicated a propitious moment for reform in terms of a national political environment, the decision to reorganize the Ministry of Agriculture was dominated by concerns about how change would be received within the ministry. Other decision criteria were weak by comparison. In this effort at reorganization, bureaucratic politics explains the desire of the permanent secretary to increase his power and autonomy by shifting work assignments and increasing his control over the behavior of subordinates and also the reaction of officers within the ministry to efforts to reassign responsibilities. The fate of the reform was also significantly determined by the intrabureaucratic sources of conflict and resistance that it introduced.

Conclusions

In this chapter, we have suggested that political and bureaucratic concerns tend to be uppermost in the minds of decision makers when they assess options for policy and organizational changes. Moreover, their political concerns tend to be dominated by macropolitical or micropolitical considerations, depending on how particular issues get on the decision-making agenda. Despite the predominance of political and bureaucratic criteria in decision-making situations, policy elites also often assess options in terms of the technical advice they receive and their implications for international political and economic relationships.

The cases presented here suggest that policy elites have personal orientations to the problems they address that are shaped by ideology, training, political commitments, and experience. These elites also generally have implicit understandings of the political and bureaucratic environments they confront that set limits on the options they consider and help them select among a variety of decision criteria. Policy choices do not result from the autonomous action of decision makers, but neither are they mere reflections of the power of societal groups. The cases indicate how broad contextual factors, perceptual predispositions of state elites, and circumstances of crisis or politics as usual combine to shape the preferences of decision makers. For those who seek to go beyond analysis to consider actions that can strengthen opportunities for reform, this chapter can form a basis for thinking strategically about the factors that will be uppermost in decision makers' minds and how the content of particular reforms could respond to their political and bureaucratic concerns. This is a topic that we return to in Chapter 8. In the next chapter, we use an analysis of the characteristics of particular policies to illustrate how the framework can become the basis on which to predict the ease or difficulty of implementation and sustainability of reform, and how it can be used to develop strategies for reformers.