

**ECONOMIC POLICY ELITES  
AND DEMOCRATIC CONSOLIDATION**

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## **ABSTRACT**

After being the last to join the wave of democratic transitions in the 1980s, Chile is posing intriguing questions for those interested in understanding the present phase of democratic consolidation, not least because of the country's economic accomplishments. This paper suggests that the future of Chile's distinctive transition may be nearer the democratic pole than other "hybrid" democratic-authoritarian regimes that emerged in Latin America in the past decade. The performance of technocratic roles may result in less authoritarian styles of policy-making, due to a unique pattern of interaction between economic and political elites, aided by favorable economic conditions and the legacy of Chile's democratic traditions.

## **RESUMEN**

Habiendo sido el último en unirse a la ola de transiciones democráticas de la década de los ochentas, Chile plantea preguntas intrigantes a aquéllos que están interesados en entender la fase actual de consolidación democrática, tanto más como consecuencia de los logros económicos del país. Este trabajo sugiere que el futuro de la transición de Chile puede estar más cerca del polo democrático que el de otros regímenes democrático-autoritarios "híbridos" que surgieron en Latinoamérica en la década pasada. El desempeño de los roles tecnocráticos puede dar lugar a estilos menos autoritarios de formulación de políticas, debido a un modelo único de interacción entre las élites económicas y políticas, apoyado por condiciones económicas favorables y por el legado de tradiciones democráticas de Chile.

## **Introduction**

When Chile is referred to as a contrasting model in current debates on Latin America, economic accomplishments<sup>i</sup> are now added to the peculiarities of the country's political system (see Valenzuela 1990). After being the last to join the wave of democratic transitions in the 1980s, Chile is posing intriguing questions for those interested in understanding the present phase of democratic consolidation.

I suggest that the future of Chile's distinctive transition may be nearer the democratic pole than other "hybrid" democratic-authoritarian regimes that emerged in Latin America in the past decade.<sup>ii</sup> The performance of technocratic roles may result in less authoritarian styles of policy-making, due to a unique pattern of interaction between economic and political elites, aided by favorable economic conditions and the legacy of Chile's democratic traditions.

## **Democracy and Technocratic Policy-Making**

Studies of democratic transitions in Latin America indicate no substantial change in the technocratic style of policy-making, which was one of the distinguishing components in the characterization of bureaucratic-authoritarianism.<sup>iii</sup> Elected executives have continued to monopolize economic management, relying on small groups of experts who formulate policies without systematic consultation with political parties, Congress, or organized groups.<sup>iv</sup>

The exclusionary policy style followed by the economic teams of the new Latin American democracies has cut across political coalitions and policy choices. Business-oriented and populist-oriented governments and orthodox economic teams (Belaúnde, Febres, Paz) as well as heterodox teams (Alfonsín, Sarney, García) have been charged with imposing their economic packages against the criticisms and resistance of political and social actors. The charges range from the teams' "generalized disdain for civil society and the state" (Conaghan et al. 1990, 19), to their lack of political sensitivity and their display of vulnerability in the face of pressures exercised by economic interests and external actors.

The reemergence of technocratism—the exclusionary exercise of political influence on the basis of technical knowledge—in the new democracies of the region should not cause surprise. The devastation created by the economic crisis legitimized the calls for economic "doctors" to prescribe the appropriate treatments and cures. Strong economic measures taken without consultation have been justified by arguing that governments must increase their

credibility by showing their determination to implement economic policies as forcefully as necessary. According to the new theory of inflationary inertia, “the ability of economic agents to formally or informally index their prices” has to be impeded (Bresser Pereira and Nakano 1987; Lopes 1986). Government action, in this view, must be strong and swift so that economic agents do not have the time to adjust their expectations.

The roots of a technocratic style of governance, in which the role of policy elites is privileged at the expense of societal participation in government decisions, are old in the region, and relatively independent from political regimes. Analysts have pointed to the survival of Iberian bureaucratic systems of the late medieval period, which eventually led Latin American institutions to adopt the “forms of democracy but not its substance” (Wiarda 1986, 212). There is also the influence that nineteenth-century French positivism had on “scientific” approaches to government by experts at the turn of the century (Malloy 1989, 316). Engineers and other *técnicos* obtained a great deal of power with the growth of managerial states promoting industrialization after the Great Depression.<sup>V</sup> The internationalization of policy advice in the postwar period made the United Nations system and the Bretton Woods institutions functional in the diffusion of organizational forms of state control in the fields of monetary and social policy, agrarian development, budget management, economic planning, and regional integration. The Alliance for Progress supported this trend. And the IMF’s monitoring of stabilization programs contributed to turning the eyes of policymakers away from domestic politics. Finally, the involvement of US universities and private foundations in the “modernization” of Latin American universities provided further legitimacy to the idea that it was the application of technical knowledge that made government policies adequate (see Valdés 1989).

Over the course of the century, the development of state-society relations reinforced the consolidation of technocratic roles and a technocratic policy style. Although there were some variations, a general pattern emerged in the region whereby executives accumulated a growing number of prerogatives in order to strengthen their control over the policy-making machinery. The planning efforts of the 1950s and 1960s reinforced the heritage of state interventionism and economic centralization of the 1930s and 1940s. Presidents made efforts to have a politically favorable bureaucracy and to attract the personal loyalty of the members of the economic team. Under the umbrella of the presidency, economic teams were encouraged to create new bureaucratic agencies in order to extend their control over regional and sectoral policy. Congressional oversight of economic policy-making was gradually weakened by the lack of technical personnel and resources. Political parties tended to concentrate their efforts on obtaining state patronage or on mass mobilization, neglecting the building of policy capabilities

within their own structures. Labor organizations had limited ability to participate in policy-making either because of their fragmentation, their dependency on government, or their subordination to party strategies. Even business groups, poorly organized and suffering from internal conflicts of interests, had difficulties in contending with the ascendancy of state economic elites. The military in power added repression as a brutal form of depoliticization, thus further isolating policy elites from social pressures.

From the 1960s on, furthermore, the position of economic policy elites has been enhanced by the rise of economists as a new and influential component of the political class. Individuals with technical credentials are increasingly successful in occupying (rather than advising) the highest positions in the political system. Latin American economists are becoming presidents, ministers, top bureaucrats, members of congress, diplomats and political party leaders.<sup>vi</sup> This theme has received special attention in Mexico (see Grindle 1977; Smith 1979; and the recent review essay by Centeno 1992), where top political authorities are being selected from an expanding pool of “political technocrats.” The political ambitions of this group, together with their technical training in foreign universities and their well-placed *camarillas* in the state apparatus have created a new “bureaucratic constellation” in which ministries normally involved in mass mobilization have seen their influence reduced (see Spalding 1982). Traditional Mexican politicians lament that “they as a group are disappearing from the political scene” (Camp 1985).

Probably one of the most serious threats to the consolidation of Latin American democracies stems from the lack of institutionalized forms of communication between the newer technical and the more traditional political elites. *Técnicos* and politicians lack shared interpretative frameworks to address the tension between the logic of politics and that of policy decisions. Latin America has been characterized as a milieu that produces, in the words of a former Minister of Economy under Allende, “economists who turn a blind eye to politics, politicians who turn a deaf ear to economics, and political scientists who are undisturbed by the lack of communication between the two” (Matus 1987, 156). Even in restored democracies, the use of untranslatable discourses may be reducing the policy influence of traditional politicians and impelling the technocrats’ preference for exclusionary styles of governance.

### **Technocrats in the Consolidation of Democracy**

What are the implications of technocratic policy-making in the consolidation of democracy? Are Latin American politicians doomed to extinction after being “selected out” by skilled and ambitious technocrats who succeed in imposing authoritarian methods of policy-

making in spite of democratic structures? Although studies of political economy in Latin America are consistently paying more attention to the role performance of economic policy elites, the significance of government actors tends to be neglected in analyses that emphasize the value of power relations and political alliances as the key to explaining government actions. For example, in J. Friedan's (1988) analysis, market and state interventionist responses to the debt crisis are presented basically as the result of class cleavages (i.e. patterns of labor-capital relations) and sectoral divisions (i.e. the dominance of fixed or liquid asset holders within the business community).

The "new institutionalism," a trend that has recently become more important in the social sciences, as well as the revived theoretical interest in the state, have encouraged analysts to look more closely at the combined effect of political and administrative factors, the relative autonomy of political institutions, the role of professions and expertise, the cohesion of government elites and their policy-making capabilities, and the importance of symbols, beliefs and values in shaping public policies.

Proponents of the new institutionalist school in political science emphasize that political institutions not only mirror but affect society: "Political democracy depends not only on economic and social conditions but also on the design of political institutions [which] are structures that define and defend interests. They are political actors in their own right" (March and Olsen 1984, 738). State-centered theories, in particular, conceive the state as having independent organizational capacities and resources that are used in actions that are autonomous from class actors and societal forces (see Evans et al. 1985).

The importance of policy elites has also come into focus thanks to a new theoretical interest in the explanatory power of prevalent ideas. The adoption of certain policies at certain periods in time, it is argued, must take into consideration the "intellectual climate" in which policymakers perform (see Hall 1990, "Introduction" and "Conclusion"; and Kahler 1990). More broadly, sociologists would argue, the legitimating ground for the attempts made by state elites to create new institutional arrangements is provided by societal and cultural environments.<sup>vii</sup> The necessary support for stable and successful public policies thus may originate in "ceremonial criteria" (Meyer and Rowan 1991) more than in criteria of efficacy and technical performance.

Although acknowledging the significance of the power coalition approach, I maintain that for a better understanding of the performance of technocratic roles and the hybrid nature of the new democracies in Latin America, the institutional dimension of economic policy-making deserves closer study. Our understanding of the power of economic teams is incomplete if we only focus on the way economic interests affect policy choices. To comprehend the authoritarian

potential at the disposal of state economic managers, we require more detailed studies of the stability and composition of government economic teams, the professional and political careers of eminent policymakers, the evolution of the economics profession in the region, and the history of Latin American economic ideas.

Even if we agree that economic teams are not *the* “decisive factor” in the policy process,<sup>viii</sup> we still know less than we should about the recruitment of economic policymakers and the institutional frameworks in which they operate.<sup>ix</sup> For example, studies of democratic consolidation have yet to pay greater attention to the history of Latin American state structures, the creation and reorganization of government agencies, the monopolization of bureaucratic power, and the development of bureaucratic rivalries.<sup>x</sup>

In summary, what I propose is that variations in technocratic performance depend on environmental conditions that include the state of the economy as well as the strength of the economics profession. Equally important are the expectations and receptivity within the polity and the public to what technocrats propose and do.

Interpreting the roots and meaning of technocratic performances in the consolidation of democratic regimes is not a straightforward task. Economic policy-making in the 1980s made apparent some of the paradoxes and ambiguities involved when technocrats act within formally democratic contexts. First, the overall influence and power of government economic elites are often overestimated. Economic teams are far more successful in imposing their choices when policies are being formulated. But when the implementation stage comes and an array of public and private agents are called to intervene, the teams look much weaker.<sup>xi</sup>

Second, economic teams in democratic regimes seem prone to follow an exclusionary policy style, not out of strength, but as a way of compensating for internal divisions, the narrow composition of the team itself, and their limited control over the state apparatus.<sup>xii</sup> To the extent that changes in policies become associated with the replacement of those who promoted them, policies become personalized and bureaucratic rivalries grow. Because policymakers know their tenure will be short, they try to get things done their way, quickly, before it is too late.

Third, economic teams formed by former academicians may be more prone to perform their roles following an exclusionary style due to their lack of bureaucratic and political experience and their limited resources for policy consultation. Policymakers with government experience may be more inclined to consider the political limitations of their policy proposals and look for cooperation, instead of imposing solutions that will pass the test of implementation only at the expense of ignoring everybody else’s opinion. Also, the participation of other actors in the policy

process may be encouraged by the possibility of a dialogue with “politically-minded” state economic managers.

Finally, the “imperialistic” tendencies of professional economists may not be the only reason behind a broad definition of the boundaries and jurisdiction of the economic team.<sup>xiii</sup> The inclusion of policy areas beyond the monetary, fiscal, and budgetary spheres, on the contrary, could indicate awareness that the complex ramifications of economic policies require a comprehensive, multisectoral, policy approach.<sup>xiv</sup>

## Variations in Technocratic Performance: The Chilean Case

Although Chile is far from constituting a deviant case in the technocratic pattern of governance that characterizes the region as a whole,<sup>xv</sup> I contend that, compared with other new democracies in the region, the conditions of the Chilean transition may admit a less authoritarian performance of technocratic roles.<sup>xvi</sup>

In the performance of technocratic roles (or any other social role, for that matter), incumbents do not follow fixed scripts. On the contrary, role performance demands a degree of flexibility which depends in part on environmental conditions, organizational constraints, and in part on the way incumbents interpret the expectations associated with the role. Variations in role performance, therefore, allow us to distinguish among various types of technocrats, depending on the position they occupy in the political system, the strength and credibility of their professional claims, and the conditions under which they operate. To the extent that technocratic roles are not all performed in the same authoritarian manner, we can hypothesize that the *técnicos'* presence in positions of political power cannot always be taken as a direct and unmistakable indication that democracy in the region is a mere "façade."

To be sure, the roles played by economic policymakers in Chile have retained a deeply technocratic content. However, the Aylwin economic team (formed by a critical mass of highly qualified, politically and administratively experienced economists) has performed in the context of the country's democratic traditions, the relatively favorable economic conditions at the time of the transition, and the relatively sophisticated administrative apparatus of the Chilean state. The new Congress has been eager to participate in technical discussions of economic policy.<sup>xvii</sup> And political parties are actually competing for the "modernization" of their ideological discourses and their policy capabilities. The form of that competition involves recruiting economists and giving them positions of great public visibility.

The peculiarities of the Chilean transition and the political role played by Chilean economists in it suggest the counterintuitive possibility that the performance of technocratic roles does not necessarily threaten the consolidation of democracy. The democratic opposition in Chile seems to have been strengthened by the active involvement of Socialists and Christian Democratic economists in the political negotiations of the pretransition period. Economists launched a turn towards ideological moderation in party politics. They contributed to improving the opposition's image of policy efficiency that the Chicago Boys had pretentiously monopolized for so long. Economists from various political parties gradually discovered that they, better than

the traditional politicians, could assume political responsibilities by criticizing and challenging the technocrats in power. To many, it became apparent that the similarities between economists of the center and the left outweighed the divisions that kept politicians apart. Economists began to collaborate with politicians in the design of pragmatic scenarios in which parties could negotiate agreements for the transition period and beyond, thus altering the terms of a polarized and recriminatory political debate (see Montecinos 1990). The consensualist mood that inspired the Chilean transition was reflected in a highly moderate government economic program and an elected administration supported by an unexpectedly cohesive political coalition.<sup>xviii</sup>

The Chilean case in no way departs from the Latin American tendency for economists to achieve power, but it does suggest that there are structures and circumstances that may provide alternatives to technocratic authoritarianism. The center-left coalition that pushed forward the transition process in Chile certainly differs significantly from the neoliberal conservatism of the new democracies in the Central Andes. Neither does Chile fit well the category of “transitional democracy” that Stallings and Kaufman elaborated on the basis of the Argentine, Brazilian, and Peruvian transitions.<sup>xix</sup>

The new democracies of the early 1980s had to face the burden of debt payments and the pressures for income redistribution in the context of an increased political polarization, low levels of party cooperation, and relatively weak administrative capabilities. The heterodox policy packages with which the governments attempted to control very high rates of inflation were seriously undermined by the fragility of the political coalitions supporting the regimes. After an initial phase of success, the Austral, Cruzado, and Inti plans could not be adjusted in time to avoid the slippage to hyperinflation.

In Chile the transition did not come as the result of a decade of planned *apertura*, as in Brazil where the military designed and monitored the transfer of power to civilians.<sup>xx</sup> Nor did the Chilean transition follow the pattern of suddenness and discontinuity typical of regime changes in Argentina (see Vacs 1987). As the Pinochet regime managed to survive the economic crisis of the early 1980s (Stallings 1989), the opposition’s best alternative was to join efforts in the formation of a broad coalition<sup>xxi</sup> and to comply with the calendar established in the 1980 constitution.<sup>xxii</sup> The long period of uncertainty and highly restricted liberalization in which Pinochet forcefully retained political control while benefiting from an improving economic situation seems to have hardened the conviction within the democratic forces that their chances of survival and success were contingent upon substantial changes in the habits of precoup Chilean politics.

Political leaders understood that the unity of the Concertación during and beyond the first elected administration required: a) ideological moderation—avoiding the maximalist revolutionary

rhetoric of the 1960s and early 1970s;<sup>xxiii</sup> b) a decisive commitment to political compromise so as to avoid reproducing the division of the multiparty system into three irreconcilable camps; c) the rejection of “economic populism”<sup>xxiv</sup> by making redistributive policies compatible with economic growth and macroeconomic equilibria;<sup>xxv</sup> d) the restoration of civilian-military relations.

Since Chile was the last country in the region to undergo the transition to democracy, the experiences of neighboring countries were taken as additional items in the list of lessons that had to be learned from the trauma of the coup and the years of dictatorship. President Aylwin is often quoted as saying that “We should not repeat the painful experiences of other Latin American countries.”

Apart from the advantages that a scheme of party cooperation provides, Chilean policymakers, free from the constraints of solving an imminent economic crisis, have been able to project their policies within a long-term framework. Aylwin’s officials claim that Chile is the country with the best opportunity to demonstrate that democracy can work with an open economy and distribution of benefits to all sectors of the population.<sup>xxvi</sup>

A vast literature addresses the threats that the predominance of technocrats entails to democratic government. In the Chilean context, the increased employment of economic expertise has been singled out as one of the factors in the breakdown of democracy in 1973 (see Valenzuela and Wilde 1979). Is it possible that the weight technocrats have gained during the transition has been mostly a reflection of the traumas that Chileans have endured in the past two decades? That in the future, political and social actors will reassert their inclusion in the governing process with a backlash against economists? The mere displacement of technocrats, however, could result in an ineffective and perhaps deceptive way of protecting democracy. If “what counts” is the existence of institutional limits and constraints to the power of technocrats, concerns should shift from the arrogance with which technocrats seek to manipulate reality to the mechanisms available within society and the political system to exercise control over them.

### **Economic Conditions and Technocratic Policy-Making**

The 1990s present a political and economic scenario quite different from that of the early 1980s, when the debt crisis and the process of democratization unfolded simultaneously. Chilean analysts and politicians point out over and over the favorable conditions that have surrounded the transition process as compared with other experiences in the region.

As was noted earlier, unlike the cases of Argentina, Brazil, and Peru, the transition took place in Chile after many of the structural economic reforms had been implemented. Having a

small economy, Chile successfully accommodated to the imperatives of global interdependency by implementing a free-market open economic system. Also, the “good debtor” strategy followed by the Pinochet administration had succeeded in turning the foreign debt into a problem of secondary importance: the new democratic government did not need to confront foreign creditors. The price of copper has been favorable and Chilean exports have good prospects of expansion into the Latin American market now that integration has become a more central element of foreign policy in the region. Chile is receiving a significant flow of foreign investments and the government is confident about the future of European economic cooperation. The external economic conditions may be further improved with a prospective trade agreement between Chile and the US.<sup>xxvii</sup>

The internal economic conditions at the time of the transition (low inflation rate, positive economic growth, sound fiscal situation) were so much more favorable than those faced by the other new democracies in the region<sup>xxviii</sup> that during the presidential campaign, the Concertación was able to defy electoral logic by announcing a tax increase that would support social expenditures in education, health, and housing.<sup>xxix</sup>

In Chile, the private sector seems to have been revalued together with the revaluation of political democracy.<sup>xxx</sup> The left and the political center have been avoiding what some have called their “traditional hostility” towards private enterprise. In fact, in order to maintain the favorable economic conditions and the confidence of the private sector, many principles of the economic model followed during the authoritarian regime have been adopted by the new authorities.<sup>xxxi</sup> The incrementalist and moderate approach adopted in the economic program of the Concertación is an indication.<sup>xxxii</sup>

### **Party Politics and Technocrats**

One of the most difficult tests that the new democracies have faced deals with the degree of support that political parties have been able and willing to provide for structural changes in the economy. In the course of the mobilizations that preceded the transition in Chile, political parties regained a central role on the political stage, showing remarkable signs of continuity with their past influence (see Valenzuela and Valenzuela 1986; and LASA 1989). Because much of the ideological polarization of the last decades in Chile had centered around property rights, the economic role of the state, and the structure of economic power, Chilean political parties considered the economic program as an important political component in the strategy to bring about the transition to democracy.<sup>xxxiii</sup>

Established ties of cooperation between members of the Aylwin economic team and the parties that support the administration have probably contributed to curbing the authoritarian tendencies associated with the performance of technocratic roles. By contrast, analysts of the Argentinian, Brazilian, and Peruvian transitions emphasize that weaknesses in the party system prevented the emergence of such forms of cooperation.<sup>xxxiv</sup> In Argentina the parties are said to have played a largely “decorative” role in the transition process.<sup>xxxv</sup> The consensual style of policy-making that the Alfonsín government had initially intended received little party support.<sup>xxxvi</sup> Minister Sourrouille’s team secretly prepared the Austral plan and subsequently turned to more “orthodox” economic measures, which were publicly attacked by the governing party during the last part of the Alfonsín administration.<sup>xxxvii</sup> In Brazil, following a historical pattern in which “the party system [is] deprived of power in the decision-making process” (Campello de Souza 1989, 374), parties remained absent from the decisions leading to the Cruzado plan. Parties did not help introduce necessary adjustments to the plan nor did they help with the implementation of fiscal policies.<sup>xxxviii</sup> In Peru, the economic teams of Belaúnde and García operated in a highly insulated manner, following an autocratic policy-making style. Politicians and the economic teams, formed by small groups of politically independent economists, could not arrive at a collaborative relationship either.<sup>xxxix</sup>

The Chilean Christian Democratic and Socialist parties, the main partners in the Concertación, unlike the APRA, the Radical party, and PMDB/PDS, had had the experience of governing the country in the immediate precoup period. The disappointments and lessons drawn from those experiences contributed to framing the parties’ attitudes in the transition. In an explicit effort to avoid the confrontations that afflicted the Frei and Allende administrations, the parties have shown a commitment to following a constructive pattern of collaboration in the governing responsibilities of the new administration. A revealing sign of the efforts to reduce the strains that party competition creates for the administration is the so-called solemn compromise by which all members of the Concertación promised not to interfere in the president’s selection and appointment of government officials.<sup>xl</sup>

As Chilean parties reentered the political scene and solidified various mechanisms for political cooperation, the organizational position of their *técnicos* within the party structures was significantly enhanced.<sup>xli</sup> All members of the Chilean economic team have strong ties with the parties of the Concertación. Many of them are considered as good *políticos* as they are *técnicos*.<sup>xlii</sup>

The extent to which the political skills of Minister Foxley and his team will match the theoretical appeal of their ideas is still a matter of speculation, but their political connections with

parties seems to have favored a more participatory policy style.<sup>xliii</sup> Twenty years ago it was not uncommon for Chilean economists to find it more convenient (even appropriate) to remain unaffiliated with political parties, even when they collaborated with prominent politicians.<sup>xliv</sup> The crisis of the precoup period, however, made clear that political factors were a powerful constraint and an integral part of the solution to economic problems. Paradoxically, the successful hegemonic domination that government economists achieved under Pinochet seems to have served as an incentive for further involving opposition economists in party politics.

Chilean economists were instrumental in shaping the consensual mode of pretransition politics.<sup>xlv</sup> Opposition economists, in their efforts to elaborate an alternative to the “ideological apoliticism” of the Chicago Boys, created their own version of “programatic politics.” Their idea of ideological pragmatism, however, was meant to be infused into party politics and not to be used instead of it.<sup>xlvi</sup>

Economists’ involvement in politics has taken on an almost explosive dimension in recent years. What is new is that economists of the left, center, and right are not only building their own political careers<sup>xlvii</sup> but are actively disputing the leadership of political parties. It is also new that the parties, reluctant to be left without their own team of prestigious economists, are according them obviously preferential treatment.<sup>xlviii</sup>

Economists did face (and still do) significant resistance within the parties.<sup>xlix</sup> They have, nonetheless, been transformed into sources of ideological renovation throughout the Chilean political spectrum.<sup>l</sup> Research institutes oriented to policy analysis are becoming a common phenomenon in all political parties.<sup>li</sup> As rightist parties try to dissociate themselves from the discourse of militarism and national security,<sup>lii</sup> they have converted the neutrality of the market into their key ideological concept.<sup>liii</sup>

In response to the experience of the coup, the Christian Democratic party also began a search for renovation. A group of politicians and party economists sponsored the idea that “technical” pragmatic policy analysis would lead to the modernization of the party and would facilitate the formation of broad political coalitions, similar to those found in European politics.<sup>liv</sup>

On the left, economists engaged in the renovation of the political style of socialism and in the promotion of alliances with the political center. Members of the left expressed their commitment to supporting a “great political project.”<sup>lv</sup> The renovated wing of socialism insisted that “erasing” the image of inefficiency that many associated with the Popular Unity experience would allow the left to reemerge as a valid governing alternative.<sup>lvi</sup> It is often said that socialism in Chile never had as many technical cadres as it has now. The best socialist economists are either in government positions or actively involved in party politics.<sup>lvii</sup>

In spite of the ties between economists and political parties, the relationship between political parties and the Aylwin government remains a relatively unresolved issue. The consensual nature of this administration, it is said, makes it a “supraparty” government. On the one hand, there have been complaints about the curtailment of parties’ influence in government actions. On the other, it is accepted that parties are not “proprietors” of political action and cannot restrict the government’s initiatives.

In the months following the 1989 presidential election, the press reported noticeable lamentations with respect to the power of the economic team—occasionally referred to in the press as “Aylwin’s Chicago Boys.” Party representatives charged that economists had much easier access to the president than they had, and that government appointments were being made on the basis of “curriculum vitae”; *técnicos* were favored over those who had courageously fought against dictatorship.

Part of this debate was centered on whether the central figure in the cabinet would be the engineer and economist Edgardo Boeninger (the appointed Minister Secretary of the Presidency) or the lawyer Enrique Krauss (Minister of the Interior).<sup>lviii</sup> Boeninger’s position was that the parties should have the Congress as their arena and their presence in government should be limited to their representation in the cabinet. “Parties support the government but they are not the government,” Boeninger has said; there is no party instance constituting a decision-making mechanism alien to the formal structure of the government.<sup>lix</sup>

The negotiations carried out by Minister Foxley to introduce a tax reform just a few months after taking office also generated complaints. Parties resented Foxley’s strategy of dealing directly with opposition parties without consultation with the government parties, which were left with the unhappy task of being just the “support of the technocrats of the presidential palace.”

### **The Role of Economic Ideas in Consolidating Democracy**

How much will the ideas of government economists influence the course of democratic consolidation? In a new and influential book on the political power of economic ideas, P. Hall asserts that “ideas about what is efficient, expedient and just motivate the movement from one line of policy to another (Hall 1990, 361, 26, 10). Not only are economic ideas the rationalization of interests but they also modify the perception of the opportunities and constraints faced by a political regime. Although economic ideas often contribute to political polarization, especially when economists form sects to oppose and disqualify each other, they may also foster political consensus. Keynesian ideas altered the terms of political discourse and served in several

countries as the “source of a common language that allowed persons of quite different political sensibilities to rally around a program” (Hall 1990, 20).

Economic ideas and political ideology have been clearly intertwined in Chilean politics in the last few decades.<sup>lx</sup> It is important to note that the display of moderation and eclecticism of the Foxley team is not only linked to the domestic political climate of the transition but is also in great agreement with the current economic thinking in the region,<sup>lxi</sup> which is marked by criticisms of previous ideas and trends of theoretical convergence (see Meller 1991). Many Latin American economists are presently in agreement on the need to overcome what they see as the false dilemmas of the past: import substitution versus export promotion; planning versus market;<sup>lxii</sup> economic versus politico-institutional factors (see Fishlow 1985; Feinberg and Ffrench-Davis 1988; and Bitar 1988). Neostructuralist and neoorthodox policy prescriptions seem to have more in common now than ever before. Structuralists have become more concerned with the effectiveness of policy instruments for short-term adjustments. And the need for structural reforms is no longer a message of the left but is even recognized by international lending institutions (see Kahler 1990). J. Nelson has gone so far as to suggest that the distinction between neo-orthodoxy and heterodoxy may not be valid in the 1990s (Nelson 1990, “Introduction,” 16).

The neostructuralist approach explicitly proposes the search for political stability based on concertation and participation to sustain economic projects for extended periods: “Keeping economic/political interaction under constant scrutiny” is seen as the way to increase the political viability of the economic strategy (Bitar 1988, 61).

Members of the economic team under Aylwin have been actively involved in the formulation of new theoretical agreements in Latin American economics.<sup>lxiii</sup> As the Foxley team tries to make political democracy compatible with economic modernization, we can expect not only a great deal of international attention (as occurred with the Chilean transition to socialism and later with the Chilean road to the market economy), but also technical and political support from the international community of economic experts.<sup>lxiv</sup>

The theoretical viability of economic ideas, however, is not enough to ensure their political viability.<sup>lxv</sup> The Chilean case could serve as a test as to whether or not the move towards a theoretical consensus in Latin American economics is going to be reflected in class compromises similar to the ones associated with the Keynesian ideas in the postwar period.

### **Administrative Capabilities and Technocratic Performance**

The authoritarian performance of technocratic roles seems to be facilitated both by the bureaucratic strengths and the bureaucratic weaknesses of the economic team. The high degree of control that the Chicago Boys had over the state bureaucracy under Pinochet is an example of the former.<sup>lxvi</sup>

The authoritarian performance of the economic teams of the new Latin American democracies may be considered as an illustration of the second case.<sup>lxvii</sup> Economic managers probably tried to concentrate policy decisions as a way of increasing the chances of an uncertain implementation. In fact, the governments of the other new democracies have been characterized as being poorly coordinated or plainly inept.<sup>lxviii</sup>

In an effort to facilitate the implementation of economic policies, the presidents in Argentina, Brazil and Peru became active players.<sup>lxix</sup> The popularity of the president seems to be easily interpreted as an effective substitute for the lukewarm assistance that the teams received from the governing parties and their poor control over the bureaucracy.<sup>lxx</sup> As the economic teams relied on the president's support to put forward their policy proposals, their technocratic performance seems to have bent towards authoritarianism.

We hypothesize that, rather than promoting an authoritarian policy style, the relatively strong administrative capacities of the Chilean state have facilitated policy consultation within and outside the government. Although the authoritarian legacy of the Pinochet regime remains strong,<sup>lxxi</sup> the Chilean team seems less likely to become heavily dependent on the popularity of the president. First, Foxley's career had made him an indisputable candidate to head the economic team,<sup>lxxii</sup> long before the opposition had a clear idea of who would occupy the presidency.<sup>lxxiii</sup> Second, Aylwin's virtues as the first democratic president have been used more as a symbol of reconciliation (a supraparty attitude) than as the personalization of popular support (as with Alfonsín or García).<sup>lxxiv</sup> Third, Aylwin is less likely to assume a dominant policy role by being directly involved in the making of economic policies.<sup>lxxv</sup>

Unless the party coalition that is backing the transitional government collapses, a possibility that the administration has carefully avoided, there seems to be little indication that the economic team of the Aylwin administration will suffer internal fractures of the kind observed in other countries in the region.<sup>lxxvi</sup> The economic team in Chile—formed by a large network of leftists and centrist economists who worked together for years before the transition—has remained remarkably stable. After taking office, the economic team secured a broad span of control over the bureaucratic apparatus of the state, which has probably facilitated coherence and continuity in policy-making.<sup>lxxvii</sup>

The skills and composition of economic teams are only part of what is relevant to understanding issues of administrative capability. Institutional histories and the bureaucratic powers of state agencies—what some call the “technologies of the public sector”—are also important.<sup>lxxviii</sup> Since the restructuring of the public sector is considered one of the cornerstones in the move towards the improvement of economic competitiveness in the region, the study of the “optimum degree of public intervention” and the identification of the most socially productive spheres of state action are now being treated as relevant topics of research.<sup>lxxix</sup> Economic theory seems to be benefiting from theoretical developments in the areas of public administration and organizational analysis.<sup>lxxx</sup>

Neoliberal economists, taking hints from rational choice theory, took a militant position in promoting a movement towards the demystification of the state as the embodiment of the common good. They attributed the inefficiencies of the state allocation of resources to the politicians’ and bureaucrats’ pursuance of their own self-interest.

Recent analyses of the obstacles to economic adjustment in Latin America give considerable weight to the lack of policy coherence and administrative capabilities. The “reappraisal of state models in the 1980s” may serve as an inspiration for rethinking the importance of these issues. Models of economic planning that were based on unrealistic assumptions about the rational coordination of means-ends hierarchies and its mechanical reflection in the execution of policy choices are being discarded or revised.<sup>lxxxii</sup> New policy models seem more willing to emphasize the “irrational” aspects of decision-making, the uncertainty and imprecision of goals, the political symbolism of reforms, and the ritualism of government actions that remain forever postponed and undecided.

The reentry of politics into the realm of economics (as economists themselves join the political game) could rescue the significance of institutions and interest representation, perhaps reducing some of the authoritarian biases of traditional “managerial models” of economic policy-making.

An interesting illustration of a new sensitivity towards the significance of bureaucratic politics and administrative arrangements is the remarkable compromise achieved between the Pinochet government and the incoming Aylwin administration over the composition of the Board in the new autonomous Central Bank.<sup>lxxxii</sup>

The Chilean authoritarian regime had introduced several institutional reforms in the economic sphere, particularly in the areas of tariffs, finance, and industry,<sup>lxxxiii</sup> but the legislation that established the autonomy of the Central Bank was one of its most important institutional legacies.<sup>lxxxiv</sup> On the pretext of protecting technical decisions, the legislation gave the Bank

considerable political powers in macroeconomic management and the ability to privilege monetary stability over other policy objectives. Debates over the technical and political implications of the new law included the examination of various international experiences regarding the autonomy of central banks.<sup>lxxxv</sup>

Although opposition economists agreed that in the past the public sector pressures on the Central Bank had contributed to long periods of inflation, they objected that the new powers of the Board controlled by Pinochet's appointees was the equivalent of having a parallel economic team. The Bank's extreme autonomy would endanger the coherence of the new government economic policies, in particular the coordination between fiscal and monetary policy (see Massad 1989). The agreement that was achieved placated many of the worries but above all surprised everybody as a sign of a new spirit of political moderation.

The Aylwin administration is planning to introduce other institutional reforms to improve policy effectiveness. Among them is the creation of committees to coordinate the action of various ministries. The government has shown a particular disposition to explore the advantages of a semipresidential regime. This could represent a more adequate solution for the traditionally abrasive relationship between the executive and the legislative branch as well as a more favorable context for the continuation of the coalition. Although improvements in the administrative capacities of the state may have an overall beneficial effect, it is still early to evaluate the actual impact of these intended reforms on the government's ability to consolidate democratic principles and institutions.

## **Conclusion**

Democracy constitutes a contested concept. Its meaning is everywhere subjected to negotiated redefinitions that from time to time impact upon institutional arrangements and the behavior of social and political actors. In Latin America, a region characterized by the persistence of authoritarian and technocratic styles of governance, democratic rule remains elusive both as a concept and as a reality. Particularly when it comes to governing the economy, policy-making continues to be highly centralized, secretive, and dominated by technocrats.

Is the centrality of experts in decision-making essentially undemocratic? Is it a form of elitist domination in which those who do not have the technical training, feeling like "insects,"<sup>lxxxvi</sup> become powerless and ignored in the policy process? Or is it desirable for the new democracies in Latin America to have economists increasing their political influence and visibility as a way of ensuring a balance between efficient governance and extended political participation?

The exceptional conditions of the Chilean transition to democracy seem to suggest that important variations exist in the performance of technocratic roles. Economists' pervasiveness in Chile did not decline with the reemergence of democratic politics. After the transition, however, their influence in policy-making became anchored in party politics.

Political parties in Chile are paying homage to the "modernization" of politics by having their own *técnicos* collaborating with and disputing the leadership of traditional politicians. From the right to the left, extremes are being abandoned in the search for political and economic stability. Even before the transition, government and opposition have been competing on the grounds of policy "viability" rather than on the typical ideological claims of the precoup period.

The careers of top economic managers in the Aylwin administration are defined or perceived as being "political." Enclosed within democratic institutions, they appear less insulated, more sensitive to the advantages of consultation and the consequences of bureaucratic politics than in other countries in the region. Engaged in the revision of economic theories—to the dismay of their critics—government economists of the center and the left seem to have "converted" to neoliberalism. The Chilean economic team—imperturbably—continues to focus on the outcomes of successful implementation. Since policy innovativeness has come to be associated with the dangers of political polarization, they define continuity in economic policy not only as a sign of "realism" but of "political courage."

To the extent that democracy in Chile consolidates, we would have some evidence that the dangers associated with the concentration of power in the hands of policy elites can be lessened. Democratic consolidation may require that members of the political class empower themselves in the dialogue with their fellow economist/politicians. Also, a greater measure of social control has to be exercised over the expanded jurisdiction of the economic profession, either through the profession itself (in the content of professional socialization, for example) or through the institutions in which economists act (such as the organizational structure of political parties and state bureaucracies).

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#### Endnotes

<sup>i</sup> Chile went through a relatively successful process of economic restructuring before the transition to civilian rule. Although costly for workers, that adjustment resulted in fiscal surplus, export expansion, relatively low inflation, and the consolidation of the structural reforms that had been initiated in the 1970s. See Meller (1990). Two years after taking office, Aylwin officials

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claimed to have done more than just maintain macroeconomic equilibria. The inflation rate—projected to reach a single digit by 1994—was reduced to 18 percent in 1991. Since 1989, investments rose, GDP expanded (by 6 percent in 1991), and minimum wages improved by 20 percent in real terms. During this period, the rate of savings achieved its highest point in thirty years and the unemployment rate its lowest level in seventeen years (less than 5 percent).

ii To understand the mixture of authoritarian and democratic features, traditional classifications of political regimes are inadequate. See Malloy (1989, 332); and Haggard and Kaufman (1989).

iii In Guillermo O'Donnell's analysis, the technocratic thrust in those regimes was anchored in an alliance between civilian *técnicos* and the military (O'Donnell 1973).

iv For an analysis of economic policy making in Peru, Ecuador, and Bolivia after the transition, see Conaghan et al. (1990). A critical view of the authoritarian economic policies under Sarney is presented in Ramos (1987). For a comparative analysis of the economic policies after the transition in Brazil and Argentina, see Kaufman (1990).

v For a historical analysis of CORFO and other government economic agencies in Chile, see Montecinos (1988).

vi This phenomenon is well under way in other regions as well. See Markoff and Montecinos (1990).

vii Sociologists, arguing that state-centered theories reduce society to an "untheorized environment," have engaged in "bringing society back in" with their own branch of new institutionalism. Friedland and Alford (1991, 242) note that theories where the state is conceptualized as the dominant organization "help us understand its capacities to make strategic choices, develop particular solutions to problems, and adopt effective interventions but not understand the range of variation within which those strategic choices are likely to vary nor the sources of the problems it must solve."

viii Referring to the protagonism of heterodox economists in the Brazilian and Argentine stabilization processes, Kaufman (1990, 78) asserts that "they were not the decisive factors in the policy process. What counted far more were the interests and political resources of each president, and the kinds of pressures and opportunities they faced in the larger political arena."

ix The complexities involved in the recruitment of high-level positions in government have been studied, for example, in Blondel and Muller-Rommel (1988).

x Even presidential interventionism in economic policy still remains a largely under-researched topic. See S. Mainwaring's (1990) review article; some of the few studies on these topics include Cleaves (1974) and Drake (1989).

xi Technocrats often complain that their ideas are distorted by political interferences over which they have little control. More often than not, the content, timing, and outcome of the initial policies, are substantially altered or abandoned. This was the case, for example, when the team that formulated the Cruzado plan lost control over its implementation. Although the price freeze was originally intended to last no more than a few months, in practice its duration was made to fit the needs of the November 1986 elections. (The implementation of the plan also required a more sophisticated administrative machinery than the one available to the government.)

xii The Brazilian economic teams, for example, suffered from unresolved fractures and internal rivalries throughout the Sarney period. The teams were formed by relatively heterogeneous groups of individuals recruited from a variety of sectoral, regional, and ideological sources.

xiii On the concept of economic imperialism, see Radnitzky and Bernholz (1987).

xiv For example, Ministers of Labor are often brought in as late-comer participants in an attempt to avoid the failure of income policies. Consider the last minute appointment of a Peronist to head

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the Labor Ministry and obtain the acquiescence of unions to the policies of Alfonsín's economic team.

xv Indeed, in the course of the last three decades, the tension between technocracy and politicization has been at the center of Chilean economic policy. The most extreme form of technocracy emerged under Pinochet, when the "suspension of politics" provided the ideal conditions for the Chicago Boys' revolutionary experiments in neoliberalism. Yet under Frei and Allende the technocratic syndrome had taken its own specific forms. See Montecinos (1988).

xvi In Argentina, Brazil, and Peru, the economic and political circumstances surrounding transitional governments were less auspicious than in Chile. For Alfonsín, the mere transfer of office to an elected successor represented a historically significant goal. In Brazil, among other factors, the transition was weakened by the death of the elected president. Peru had to deal with the challenges of armed insurgency, drug trafficking, and widespread corruption. Of course, democracy in Chile has been constrained. The permanence of Pinochet as Commander-in-Chief of the Army continues to perplex foreign observers. However, important constitutional reforms were negotiated in mid-1989 and President Aylwin recently announced a new package of reforms concerning the electoral system, appointments in the Armed Forces, the composition of the Senate, and the constitutional tribunal.

xvii In the March Congressional elections, there were 26 candidates with credentials as professional economists, eleven of whom were elected. The precoup Congress had only one economist.

xviii By way of contrast, these conditions did not apply in Brazil, Argentina, and Peru, where technocrats have constituted an authoritarian element, as the standard picture has it.

xix See Stallings and Kaufman (1989, "Conclusion"). In their analysis, "transitional" democracies tended to follow heterodox economic programs whereas "established" democracies (Costa Rica, Venezuela, and Colombia) opted for the application of moderate orthodox measures, with fewer structural reforms than the truly orthodox policies of authoritarian Mexico and Chile.

xx On the Brazilian democratic transition, see Markoff and Baretta (1990).

xxi In February of 1988, a coalition of sixteen political parties formed the Concertación de Partidos por la Democracia. The coalition included the Christian Democratic party as the main force in the alliance, the renovated wing of the Socialist party, the Radical party, and other small parties.

xxii The 1980 constitution (ratified by a plebiscite without democratic guarantees) contemplated a plebiscite in 1988 to decide whether to restore civilian rule or to continue military rule until 1997. The opposition triumphed in the 1988 plebiscite with 54.71 percent of the votes. In the 1989 presidential elections, Patricio Aylwin, the candidate of the Concertación, was elected with 55.2 percent.

xxiii Minister Correa (Ministro Secretario General de Gobierno), a Socialist, in a recent interview defined the *nuevo modo de ser de izquierda* as "moderate, democratic, that trusts in the rules of the market...that does not believe any longer in statism and centralism, that believes in a state more and more regulatory and in an economy more and more private." *El Mercurio*, International Edition, 30 January–5 February 1992.

xxiv The concept of "economic populism" has been elaborated in connection with the similarities observed in the economic policies followed by Allende, Alan García, Sarney, Alfonsín, and the Sandinistas. In all of these cases, the argument goes, elected regimes ceded to political pressures in the application of expansionary economic policies. Although the initial results of these "bad" macroeconomic policies were positive, they ended up creating foreign exchange constraints, high inflation, and political instability. See the papers presented at the conference on

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“Macro Policies and Income Distribution in Latin America: The Economics of Populism,” organized by the National Bureau of Economic Research in cooperation with the Inter-American Development Bank in Washington, DC, May 1990. See especially Dornbusch and Edwards, “The Economic Populism Paradigm.”

xxv The economic program of the Concertación said: “There will be no growth, no peace, nor social justice if macroeconomic equilibria are broken, because of an inadequate management of the economy, or because goals are incompatible with available resources.” Although the Aylwin economic program has a dual mandate of growth with stability and social justice, the government announced that for the first half of the administration, it would be necessary to settle for the benefits of political democracy. Recently, Minister Foxley has insisted that economic policies will not be modified in view of the municipal elections of mid-1992: “A legacy that we would like to leave is to have broken the cycle of populism which has been extraordinarily negative for democracy.” Finance Minister Foxley in an interview with *El Mercurio*, International Edition, 19-25 March 1992.

xxvi Pinochet’s ministers were still more optimistic: “Chile is in conditions of arriving at the 21st century as the first developed country of the region,” former Minister of Interior and Finance C. Cáceres, *El Mercurio*, International Edition, 1-7 February 1990.

xxvii Democratic Chile, with its open-market policies, received enthusiastically the idea of a hemispheric trade bloc announced by the Bush administration in the “Enterprise for the Americas Initiative.”

xxviii In Argentina the annual rate of inflation by the time of the transition had reached 400 percent and in Brazil it was close to 200 percent.

xxix In January of 1990 Foxley argued: “It is not possible to consolidate democracy without introducing solidarity in the operation of the economy” (*Hoy* No. 653). Reforms of tax legislation were approved in Congress (with 30 votes in favor, 2 against, 1 abstention). Minister Foxley obtained the support of Renovación Nacional, a rightist opposition party, where he found a well-disposed ally, the economist and newly elected senator Sebastián Piñera. The incoming government was also able to implement an adjustment program in order to reduce the excessively high rate of economic growth that had been encouraged by the Pinochet administration in the months prior to the presidential election. In Argentina and Brazil, tax and expenditures reforms remained unresolved issues.

xxx Since the mid-1980s, entrepreneurial organizations became determined to consolidate their gains by acting as strong interlocutors in the political process. Although willing to recognize the need for improving their image as the “bearers of modernization,” business elites managed to obtain concessions from both the Pinochet regime and the political opposition. See Silva (1991) and Campero (1991).

xxxi Some analysts interpret the opposition’s revision of its thinking on such issues as import substitution industrialization and the role of the state in the economy as a pragmatic accommodation to the strength attained by the capitalist class and the success of Pinochet’s economic team in reequilibrating the neoliberal model after the crisis of the early 1980s. See Silva (1991).

xxxii The similarities between the economic program of Buchi (the rival presidential candidate and former Finance Minister of Pinochet) and that of the Concertación were numerous: Create a climate of confidence for foreign and domestic investors; provide state support for private entrepreneurs involved in the diversification of export activities; reduce state interventionism; and guarantee the nonrestitution of privatized firms (although the Aylwin government did promise to halt the accelerated transfer of public enterprises to the private sector made during the last years of Pinochet). When Minister Foxley is asked to respond to criticisms of “conversion” to neoliberalism he responds: “We have to achieve an equilibrium between continuity and change.”

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We have not maintained the economic policy of the past government. We do maintain some of its features.” *El Mercurio*, International Edition, 19-25 March 1992.

xxxiii “The respect for democratic procedures is not possible without substantive agreements on the economic order, which is perhaps the most politically and socially conflictive area in Chile” (Boeninger 1985, 22).

xxxiv Although Brazilian economists were active in the transition process, they could not exercise a coordinated influence in the Sarney administration. It was frequently unclear whether PMDB economists were part of the government or part of the opposition. This situation became particularly problematic after the PMDB distanced itself from the government. See Sardenberg (1987).

xxxv Although the Argentine transition was perceived as a unique opportunity to alter the perverse party confrontation that had debilitated democracy for decades, the parties failed to lead the process of democratic consolidation. On the self-destructive and irresolvable confrontations of Argentine politics, see Wynia (1986). On the marginal role of parties after the transition see, for example, De Riz (1989) and Buchanan (1990).

xxxvi The Radicals, with little previous preparation for facing the responsibilities of government, attempted to rule with no alliances. Alfonsín’s triumph—which represented the first Peronist defeat in a free election—took the Radicals by surprise. The surprise was even greater for the Peronists who had claimed for years to represent the country’s majority. On the failure of the Argentine social pact, see W. Smith (1989, 285-93).

xxxvii “This is one of the best economic teams that any government has had in the history of Argentina,” Guido Di Tella said in an interview, and he adds, “although they are aware of the political constraints, they are not politicians.” See “Interviews” in Naszewski (1987). Only the original team was headed by a Radical economist, Minister Grinspun. He was replaced by Sourrouille, who was not a party member. Minister Sourrouille, a renowned economist who was reluctant to make public appearances had to be strongly supported by the president when he became the target of criticisms.

xxxviii Although Brazilian parties were not officially banned during the authoritarian period, none of the current parties (PMDB, PFL, PDS, PDT) existed before 1966. See Mainwaring (1988). Kaufman (1990) makes references to the PMDB appetite for federal and state patronage.

xxxix Belaúnde’s party as well as APRA ceded to traditional clientelistic practices after coming to power. Neither party had a sufficient number of *técnicos* within their ranks; not only were they unable to strengthen their own policy capabilities but they could not contribute to improving the “chaotic nature of the Peruvian state.” See Wise (1989); Pastor and Wise (1992); and Stallings (1990).

xl Traditionally, political parties asked for their quotas of representation in the government bureaucracy. Parties expected their militants to follow party discipline, even when party directives diverged from government policy. For an analysis of the cross-cutting loyalties between government and parties under Popular Unity, see Bitar (1978).

xli When parties were still outlawed, economists became active party members, writing in newspapers, visiting regions, and organizing political meetings, and seminars with politicians, labor leaders, and university students. Examples of the economists’ concern with political issues can be found in Ominami (1984). Many of Foxley’s writings (see, for example 1983a and 1984) dealt with this topic.

xlii Again, in the words of Minister Foxley: “In the public life, it is difficult and artificial to separate where politics end and where the economist begins... I have a clear political vocation...” *El Mercurio*, International Edition, 19-25 March 1992.

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xliii In 1992, the government, CUT (the most representative labor organization), and the CPC (the most powerful business entity) signed a third agreement on the technical criteria for annual wage readjustments. These are now based on expected inflation and increases in productivity rather than on indexation based on past inflation.

xliv The economics profession was not free from what has been called the “partidismo” of Chilean politics. In 1972, the School of Economics of the University of Chile, the library, students and professors were divided into two different campuses, one devoted to mainstream economics, the other to Marxist economics. Since their conquest by the Chicago Boys, both schools of economics, to this day, have borne the imprint of ideological polarization. See Montecinos (1988).

xlv While the Chicago Boys in power impugned the professional qualifications of opposition economists, whom they called “the plumbers” (*gásfiteros*), Foxley and others engaged in the enhancement of their international professional reputation and in the discovery of common areas of agreement within the opposition. This was, of course, a type of party politics carried out under semi-clandestine conditions, without much consultation with the rank-and-file.

xlvi This represents a difference between Mexican political technocrats and Chilean economists/politicians. While the former build their power bases in the state bureaucracy, Chilean economists construct their political careers within political parties and in a closer dialogue with traditional politicians.

xlvii Buchi’s presidential campaign was directed by P. Baraona, one of the main figures of the Chicago Boys. Also the economist J.A. Fontaine asked for a leave without pay from his post as Director of Research at the Central Bank in order to work full time in the Buchi campaign.

xlviii Senator Sebastián Piñera became a member of the Political Commission of Renovación Nacional only three months after becoming a member of the party. The other major party of the right (UDI) also became headed by economists: J. Dittborn was party President and J. Lavín was Secretary General. On the left, economists also occupy high-ranking positions in the parties. Ricardo Lagos, Minister of Education, a lawyer-economist, is now considered the “main figure” on the left. He and Finance Minister Foxley—sometimes referred to as “Aylwin’s dauphin”—are among those mentioned as possible presidential candidates for 1994.

xlix In 1988, Gabriel Valdés, leader of the Christian Democratic party, commented on this issue in the following terms: “The contribution of economists is to increase awareness of the issue of viability. However, the response of the politicians is still limited; they still follow utopias, and viability does not enter into their calculations... Economists do not easily impose their ideas in their respective parties,” interview with the author, Santiago, July 1988.

l The economists’ role as ideological “vanguardists” has been favored by the fact that the popularity of governments is increasingly linked to the outcomes of economic policies. Those with political ambitions now seek professional credentials in economics. In Chile it has become almost unthinkable that a non-Ph.D. in economics could aspire to head government economic agencies. It would be equally unlikely for a prominent government economist to remain politically independent.

li The Centro de Estudios Públicos, a neoliberal center associated with the Societé Mont Pellerin, has now been joined by a series of new institutes linked to the political right. Former Minister Buchi and members of his economic team have recently formed Libertad y Desarrollo, a think tank that is presently giving policy advice to politicians in Chile as well as in other Latin American countries and international organizations. The Instituto de la Libertad has been created to support the work of 30 legislators of Renovación Nacional. UDI has also decided to create its own *instituto* to advise the thirteen legislators of the party. These institutes are receiving funds from local entrepreneurs and from foreign sources such as the Heritage Foundation, the Ford

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Foundation, the US Republican party, and the German H. Seidel Foundation linked to the Bavarian Christian Democrats.

lii “We projected the image of being reluctant to engage in dialogue... We have said to Cortázar and Ominami [the Ministers of Labor and Economy] that with us it is also possible to arrive at agreements.” Joaquín Lavín in an interview with *Hoy* No.653 (22-28 January 1990).

liii Many on the right interpreted the triumph of the opposition as a consequence of the high qualifications of the technical teams involved in the preparation of the campaign. They felt that the competition with the renovated parties of the left and the center was leaving them at a disadvantage if they did not strengthen their own technical departments. In the view of a leader of Renovación Nacional, “This is a party dominated by lawyers... Not having an economic team is a weakness...” Carlos Correa, interview with the author, Santiago, July 1988.

liv The clarification of areas of agreement on specific policy proposals was expected to forge the basis for party alliances and a long-term developmental project, so that the transition would not be perceived as an intolerable threat that could justify a turn again to authoritarianism. Private research institutes, such as CIEPLAN and CED, which received the support of foreign foundations, carried out policy research in several areas and studied the compatibility among the economic thought of various parties.

lv See, for example, statements by Arrate, *Hoy* No. 664, 9-15 April 1990. Also, consider Minister E. Correa’s words: “There will be a healthy competition between Christian Democrats and Socialists to determine who, within the coalition, embodies *modernity* with greater strength and vigor. Chilean politics will be definitely renovated when socialism breaks the umbilical cord with its past... accepting itself as a social-democratic force... There is much criticism to pragmatism and realism, but the truth is that the only thing opposed to realism is madness.” *El Mercurio*, International Edition, 30 January—5 February 1992 (emphasis mine). The Chilean Socialist party joined the Socialist International in 1992.

lvi Research institutes of the left include CLEPI and VECTOR.

lvii The new Partido por la Democracia, PPD, was created with a “programmatic project,” meaning an explicit modification of the traditional ideological discourse of the left. The recent unification of the Socialist party has been interpreted as a triumph of the renovated wing. A group of *técnicos* and intellectuals, the Leipzig group, has publicly questioned the leadership of the Communist party, which initiated its legalization in March 1990 and is struggling with internal dissidence. Members of the party have affirmed that it will maintain a position of “constructive independence” and that “the revolutionary duty today is to work for the success of the Aylwin government.” *El Mercurio*, International Edition, 19-25 April 1990. Those statements represented mainly the opinion of dissidents, some of whom resigned or were expelled.

lviii E. Boeninger who had been Budget Director under Frei, became after 1973 an important figure in the Christian Democratic party and one of the architects of the Concertación. He pushed forward the idea of a cohabitation between the Christian Democrats and the Renovated Socialists and is now, among others, advocating the transformation of the political system into a semi-presidential regime as a way to enhance policy effectiveness and cooperation between the two powers. Boeninger, who is sometimes criticized for being “less of” a Christian Democrat than Krauss, is recognized for his technical qualifications but feared for the extension of his influence as the head of a broad network of *técnicos* throughout the administration.

lix See *El Mercurio*, International Edition, 24-30 March 1990.

lx On the ideological content of the Chicago Boys’ ideas, see Vergara (1981).

lxi In November of 1990, when Chile hosted the first Latin American economic summit, Inter-American Development Bank President E. Iglesias noted that “never before in Latin America, had

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almost all ministers in charge of economic policy been thinking so much alike” *El Mercurio*, International Edition, 29 November–5 December 1990. Of course, skeptics view this agreement as a mere reflection of the need Latin Americans have to comply with impositions made by multilateral agencies, at a time when little external financial resources are available.

lxii “We no longer talk about whether a centrally planned or market economy is better, but rather about what the best combination of the two in a mixed economy would be.” See J. Ramos (1987, 148).

lxiii Due in part to the academic prestige achieved by Chilean universities and the concentration of regional international organizations in Santiago, most notably UN-CEPAL, Chile has traditionally been an important intellectual center in the region, particularly in the production of economic ideas. Important contributions to the recent debate include Foxley (1983b), and J. Ramos (1986).

lxiv The innovativeness of the Argentine and Brazilian heterodox stabilization plans also received notable international praise. But the implementation of those plans had more limited goals and the results ended up being less heterodox than the original formulation.

lxv In P. Hall’s words: “We know from the history of Keynesianism that any new solutions to economic problems will also have to provide solutions to prevailing political problems, if they are to be viable” (1990, 391).

lxvi Political dissidents were eliminated for the most part soon after the coup and the Chicago Boys had no need to share bureaucratic power with economists who were not committed to neoliberalism. The core of the Chicago team, formed by economics professors, was able to staff the administration with several generations of their own students from the Catholic University. The pool of young neoliberal economists became even larger when the Chicago group achieved control over the teaching of economics in other universities. On the networks of the Chicago team, see Fontaine Aldunate (1988).

lxvii Although it has also been argued that the authoritarian policy style of transitional governments was linked to the preservation of highly concentrated forms of executive power inherited from the outgoing dictatorships. See Kaufman (1990).

lxviii The inability of the Alfonsín administration to manage the economic crisis forced the President to cede office to his successor before the established date. References to the low level of competence of the Sarney administration can be found in Roett (1988). On the administrative problems in Peru, see Wise (1989).

lxix Kaufman (1990) has referred to the “plebiscitarian” decision-making style followed by Alfonsín and Sarney in the implementation of the heterodox stabilization plans. References to the involvement of Alan García in the making of economic policies can be found in Stallings (1990).

lxx But there are many ways in which the president’s actions weaken the teams’ policy capabilities. Consider President Belaúnde’s insistence on implementing construction projects that were not in accordance with the policy priorities of the economic team. Or the case of Sarney, who objected to the idea of introducing adjustments in the implementation of the Cruzado Plan and kept open the possibility of replacing the government economic team with economists who had served in previous administrations.

lxxi Pinochet concentrated an immense dose of power, and the coherence of the Chicago Boys team permitted an unusual level of policy performance, including the “rationalization” of the public administration. On the personalization of power and the neopatrimonial pattern of appointments and decision-making under Pinochet, see Remmer (1989).

lxxii Foxley was one of the founders of CIEPLAN in the mid-1970s. He is recognized for his technical qualifications (Ph.D. from Wisconsin, numerous books and articles on Chilean political

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economy) and his political moderation. He was a young economist in the Planning Office during the Frei administration, has been a member of the Party Council for years and was the leader of Christian Democrat economists. Foxley who has the confidence of the party, is considered “a politician who knows how to negotiate.”

lxxiii In February of 1989, thirteen economists named possible members of the economic team after the transition. Nine of them agreed that Foxley would be the one to be appointed as Finance minister. See *APS/* No. 292 (February 1989).

lxxiv When Aylwin’s rival for the nomination as the Concertación’s presidential candidate, Radical party member E. Silva Cimma (appointed Foreign Minister), lost the nomination, he became the person in charge of Aylwin’s presidential campaign!

lxxv Although Aylwin requested from the parties the freedom to appoint the members of his administration, in reality Foxley had the autonomy to select his own collaborators. Those Foxley chose included many Renovated Socialist economists, such as Economy Minister C. Ominami.

lxxvi In 1983, R. Webb, the Peruvian president of the Central Bank, in open rebellion against the Minister of Finance Rodriguez Pastor, decided to impose his own approach to monetary policy. Also in Argentina, Minister Sourrouille had to dismiss the President of the Central Bank in 1987 in order to increase his control over monetary policy. In Brazil the conflicts between the Ministers of Finance and Planning were recurrent.

lxxvii Eight ministries are headed by professional economists, including Labor, Public Works, Education, and Secretary of the Presidency. What is more important, there are no alternative teams left out to threaten the present authorities with the possibility of a radically different policy approach.

lxxviii Although until recently this has been a neglected topic in Latin America, economists and other specialists are beginning to pay more attention to the study of state institutions.

lxxix O. Muñoz, for example, has referred to the inefficiencies associated with a model of generalized interventionism in the economy when the state apparatus did not have an adequate operational and analytical capacity. See Muñoz (1988) and French-Davis (1988).

lxxx For a general review article on the idea that “institutions are again consequential,” see Colburn (1988). In Latin America, the political nature of administrative reforms is also being recognized; see Kliksberg (1987).

lxxxi “Although the state was seen as playing a central role, little was done during the early years of ECLAC to investigate its actual capacity for carrying out the tasks assigned to it” (Gurrieri 1987, 197). This is certainly a problem that goes beyond the intellectual biases of the region: “We are still stuck with a gulf between decision-making models and implementation models in the study of public policy” (Lane 1990, 22).

lxxxii On December 4, just a few days before the election, a consensual formula designated the composition of the Board of the Central Bank: the Pinochet government nominated two members; the incoming government another two. An economist who gave guarantees to both parties was made President of the Board. According to Minister Foxley, this solution, which would have been considered inconceivable just a short time before, was “a way of showing the country, the private sector, and the international financial community that the Concertación is committed to the economic stability of the country” *El Mercurio*, International Edition, 7-13 December 1989.

lxxxiii The absence of Congress and the conditions of centralized management significantly expanded the power of government agencies. Ironically, for example, the Planning Office acquired more importance under the rule of neoliberal economists than under Frei or Allende. See Montecinos (1988, Chapter Three).

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lxxxiv The issue had been included in the 1980 constitution, but it was not until shortly before the presidential election that the Junta (acting as the Legislative power) passed the regulations (Law 18.840, "Ley Orgánica Constitucional del Banco Central de Chile," published in *Diario Oficial*, 10 October 1989). The objective of the legislation was to eliminate the subordination of the Bank to the Ministry of Finance. It was assumed that an autonomous Central Bank would be able to implement a more adequate exchange policy and protect monetary stability from electoral and other political interferences. The Bank would be directed by a board of five members appointed (with the approval of the Senate) for a period of ten years.

lxxxv The cases of Germany, the US, and Switzerland were analyzed in a seminar on the "Experiences of Central Banks' Autonomy." See *Estudios Monetarios XI* (Santiago: Dirección de Estudios, Banco Central de Chile, May 1989).

lxxxvi A term used by Monica Madariaga, a lawyer and former minister under Pinochet, in an interview with A. Valenzuela. (See Valenzuela 1991, 56.)