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**ULYSSES, THE SIRENS AND THE ART OF NAVIGATION: POLITICAL AND TECHNICAL
RATIONALITY IN LATIN AMERICA**

By Javier Santiso and Laurence Whitehead

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PREFACE

This Working Paper is a first attempt at mapping and evaluating in Latin America the contribution of local cognitive institutions to the region's economic reforms. Policy makers have only limited knowledge of the cognitive assets under study here, i.e., public and private institutions with a mission to accumulate knowledge, formulate policy recommendations and advise on economic reform.

The authors find that, while the contribution of these cognitive institutions has been important, their analytical capacity remains weak, relying generally on insufficient financial and human resource bases. Whilst economic "architects" with golden pedigrees are legion, their economic "engineer" counterparts, able to formulate and implement technically sound and politically viable policies, are much scarcer.

Whilst the existence of technical centres of expertise is important, meaningful interaction between the research and policy communities is fundamental. It is to be regretted that in the few countries in which there is an adequate density of good quality cognitive institutions, the quality of the policy-making process and the inefficiency of implementation has remained very weak and imperils reform.

If the key institutions for development are those that promote governance and accountability, then institutions with technical and policy-oriented capacities, embedded in the policy making process, deserve a central role. They need to be appropriately articulated with the world of policy making and policy makers, while being rooted in the local political and social context in order to produce adequate and efficient economic policies.

The strengthening of Latin America's cognitive institutions, both in the public and the private spheres, would make a substantial contribution to the consolidation of the region's emerging democracies. This institutional capacity building should be accompanied by a refocusing of resources towards cutting-edge research firmly meshed into the social, economic and political environment, directed towards providing analytical support for feasible reform programmes.

Prof. Louka T. Katseli
Director
OECD Development Centre
September 2006

RÉSUMÉ

Le travail présenté démêle les relations étroites dans les pays en développement entre la rationalité politique et la rationalité technique. Cette question est centrale en particulier en Amérique latine, région sur laquelle se centre l'analyse, où les débordements idéologiques passés et présents tendent à éclipser la rationalité technique.

A ce jour aucun exercice de cartographie exhaustive des institutions cognitives, produisant de la rationalité économique, appliquée et applicable à la conduite politique d'un pays latino-américain, n'a été engagé. Le présent travail est en ce sens une première tentative visant à offrir une cartographie de ces institutions en différenciant celles qui sont dans le giron étatique de celles qui sont dans le giron de la société civile. Les études de cas, consacrés au Pérou, à l'Uruguay et au Chili, aident à préciser les contours concrets des actions et interactions entre ces institutions cognitives et la sphère décisionnelle.

L'idée sous-jacente à ce travail a été en ce sens de souligner l'importance de cette articulation. A partir d'une cartographie détaillée des institutions cognitives, on montre en particulier que la capacité institutionnelle à générer des propositions économiques applicables est inégale en Amérique latine, et particulièrement faible dans certains pays. D'où une articulation problématique de la rationalité technique et de la rationalité politique.

Une telle densité institutionnelle est certes une condition nécessaire pour autoriser une articulation adéquate, elle n'est pas pour autant une condition suffisante comme on le souligne également. Il existe des pays où ces institutions cognitives sont particulièrement florissantes sans que pour autant cette capacité se reflète dans de meilleures politiques publiques. La qualité de l'articulation entre les deux rationalités est donc centrale. Pour cela les espaces et arènes d'interactions entre experts et politiciens sont clefs.

Le papier en ce sens souligne l'importance des institutions cognitives pour une gouvernance démocratique de qualité en Amérique latine. Il invite en ce sens à densifier ces institutions et donc la capacité démocratique de ces pays. Surtout, il invite à considérer que ce n'est pas tant de brillants architectes économiques dont pâtit la région, mais davantage d'ingénieurs économiques, dont l'expertise est autant un savoir faire qu'un faire savoir, autant une capacité à dessiner des recommandations économiques techniquement irréprochables qu'une capacité à les mettre en œuvre, c'est-à-dire les rendre *politiquement* et *socialement* viables.

ABSTRACT

The paper focuses on relations between experts and politicians in Latin America. It is divided into three parts. The first outlines the distinctive features of the political economy of expertise in Latin America. This provides the context to the second part, which focuses on the analysis of cognitive institutions that produce applied economic policy knowledge in the region, and the formation of policy-making epistemic communities. In order to provide a mapping of these institutions we focused on a taxonomy based on State and Non-State institutions, with a special mention also to international organisations and country case studies such as Peru and Uruguay. Mapping the cognitive capacities, strengths and weaknesses is, however, not sufficient in order to understand the way the game is played, i.e. the way policies are constructed, played and interplayed, a dimension to which the third and last part is devoted, focusing here again on case studies such as Chilean institutions like the *Superintendencia*.

The paper has therefore two major aims. First, we contribute to the mapping of the contemporary cognitive institutions that produce applied knowledge on economic policies. This is crucial in countries where political rationality frequently overshadows technical rationality, weak and scarce cognitive institutions being rather the norm than the exception. Secondly, we show that the presence of these cognitive institutions contributes to the democratic governance promoting higher deliberative quality in public space. This is a necessary condition for an adequate articulation between technical rationality and political rationality, although it is not sufficient: high densities of cognitive institutions do not necessarily lead to better policy outcomes. The articulation between both rationalities, technical and political, is crucial in order to get sound outputs.

Here the concept of democratic epistemic communities is therefore important to take into account: technocratic cognitive institutions are important but the existence of an articulated epistemic community, spaces of deliberation and arenas of interaction between "experts" and "politicians" are fundamental. If the key institutions for development are those that promote governance accountability and provide information on government actions, authorising citizens to sanction behaviour that limits the capturing of rent, then *technopols* (or more precisely cognitive institutions, i.e. institutions with technical and policy-oriented capacities embedded in the policy making process) carry out a central role.

But above all they need to be adequately articulated with the world of policy making and policy makers as well as rooted in the local political and social context in order to produce adequate and efficient economic policies. It is not bright economic architects that are scarce in the region (i.e. macroeconomist scientists with Ivy League pedigrees) but rather economic engineers, able to implement sound policies, technically articulated but also politically viable.

INTRODUCTION¹

This paper focuses on relations between experts and politicians in Latin America in a broad historical and socio-geographic setting. It is divided into three parts. The first outlines the distinctive features of the politics of expertise in Latin America and illustrates the wider arguments put forward. This provides the context for the second part, which is an analysis of cognitive institutions that produce applied economic policy knowledge, and of the formation of policy-making epistemic communities. By 'cognitive' we mean sustained organisations that collect, process, analyse and deliver the kind of information about a society that is necessary to monitor and interpret the impact of policy measures and to adjust or reformulate them when they prove ineffective or counterproductive. Mapping the cognitive capacities, strengths and weaknesses is, however, not sufficient to understand the way the game is played, i.e. the way policies are constructed, played and interplayed, a dimension to which the third and last part is devoted, focusing on case studies such as Chilean institutions like the *Superintendencia*.

There are no in-depth studies of the cognitive map of Latin America for applied economic policy know-how that measure the institutional density of production centres and the diffusion of applied knowledge, particularly related to the economic policy-making process. The term 'epistemic community', defined in 1992 by Peter Haas as "a network of professionals with recognised expertise and competence in a particular policy domain, and an authoritative claim to policy-relevant knowledge within that domain or issue area"², is an accepted idea in international relations theory as applied to international networks of expertise, but has yet to be taken on board by the social science community. Economists, in particular, have yet to think of themselves in this more sociological light. However, the term invokes 'professional' criteria that are still structured and filtered through national associations and national processes of accreditation. From a comparative politics perspective there is scope for systematic examination of how these state-to-state variations in practice affect the development, quality and effectiveness of epistemic communities in each country.

It is obviously necessary to place national practices in a wider international context, and in many crucial areas of economic policy making it may be that international networks of expertise dominate domestic recognition and authorisation. But this is something that should be studied empirically, rather than assumed by definition. Legal professions are still much more national than economic ones, for example, not to mention military expertise, or journalism. There

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1. Javier Santiso is Chief Development Economist and Deputy Director, OECD Development Centre; Laurence Whitehead is Official Fellow in Politics, Nuffield College, Oxford University.
 2. See Haas (1992).

is a tremendous range of variation across countries and issue domains, and in some cases there is rapid change from one generation to the next³. Epistemic community literature has also failed to intersect with the flourishing comparative politics literature on democratisation in Latin America, given the divergent agendas: the focus of the first is on authority derived from professional competence and it is only more recently that democratisation literature has moved away from formal procedural issues to focus more on policy outcomes and the quality of governance and democracy, opening up channels of communication and convergence between these two lines of study. This section takes on board the intersection between epistemic community theory and the issues posed by the politics of expertise in a context of democratisation. It examines how the existence of deliberate arenas of interaction between 'experts' and 'politicians' contributes to the quality of public deliberation – a vital (albeit insufficient) condition for an adequate articulation between technical and political rationality.

Latin America certainly provides the analyst with a comprehensive array of alternative possibilities in this field: there are some highly democratic procedures that are apparently not being informed by even the most minimum levels of technical rationality (the current and ongoing debates on hydrocarbons in Bolivia or Ecuador for example); there are other emerging democracies that have inherited highly sophisticated and well entrenched epistemic communities in certain policy domains, where national traditions persist quite independently from the broader trends of both democratisation and of globalisation (the Itamaraty provides a vivid illustration of this factor as a determinant of Brazilian foreign policy); there are also major countries with great traditions of educational achievement, professional development, and a well developed middle class that nevertheless seem incapable of maintaining an authoritative and stable epistemic community to guide policy making in critical areas of contention (Argentina today, but perhaps also since the 1940s); and there are contrasting examples where a dense array of think-tanks and professional groupings, structured by the criteria of expertise, cover a large part of the political spectrum and thus encourage competent decision-making, not only by the parties in power but also from the opposition (Chile may fit this description, although it should not be portrayed in an uncritically positive light); there are examples of well-financed and seriously organised communities of expertise that are nevertheless only representative of one sector of society, and even of one partisan alternative among several in the larger polity (FUSADES in El Salvador seems to almost monopolise various forms of expertise for the benefit of the private sector and of the ARENA party, leaving all other democratic alternatives bereft of serious *asesoría*); there are epistemic communities that are pretty explicitly non-democratic in their policy commitments (like those associated with the security sector in Guatemala); and there are examples of communities of expertise that have been more or less entirely co-opted by international agencies and sponsors, and that have gone along with policy reforms that are now

3. Sarah Babb illustrates this in relation to the economics profession in Mexico, but it should not be assumed that all change is from national to US-led credentialism. In Venezuela, for example, there an attempt is now being made to reverse that trend. And in Cuba one of the awkward problems of any post-Castro transition may be to determine whether nationally trained and promoted economists have any authority, or only US trained Cubans will be recognized as professionally competent. See Babb (2001).

viewed as externally imposed and contrary to the national interest and to local democratic choice (the dollarisation of the Ecuadorian *sucre* may represent an example of this, as do some anti-narcotic and counter-terrorism initiatives).

This paper attempts a preliminary mapping of cognitive economic policy-making institutions in the region, with illustrations from Peru and Uruguay. The focus is on both national and foreign, public and private institutions alike, and the state as a cognitive entity is taken into account along with institutions such as the analysis and research units of international organisations (IO), government agencies, private consultants, bank research departments, and academic research centres. These institutions form epistemic communities that share the same economic language as well as similar methods and codes – although not necessarily common ideas or interests – for the production and diffusion of knowledge. Not all are equally relevant as their influence depends, among other factors, upon national context, human and financial resources, and the scope of interaction with other actors but they are all *open epistemic communities*: experts can move from one cognitive institution to another, in a trespassing game which allows the communication and diffusion of ideas and facilitates the policy-making process.

To sum up, the focus is on how ‘technopols’ articulate acceptable economic policy proposals that are both adoptable by and adaptable to distinctive democratic polities⁴, and how they function as ‘institutional masts’, counter-balancing the rationality of Weberian ‘ethics of conviction’, i.e. ethics dominated by ideas, normative thinking and ideologies, and thereby anchoring technical policy debates in the ‘ethics of responsibility.’ In this sense, to use Jon Elster’s metaphor on bounded rationality, technopols are like the masts to which Ulysses was attached⁵. They prevented him from jumping into the water and sinking in pursuit of the Sirens’ song. Although the institutional presence of the ‘technopols’ is powerful it is nonetheless insufficient to ensure that technical and political rationality are articulated in a balanced way. Examples abound where a strong cognitive institutional presence has co-existed with an economic policy ‘surplus’ as a result of the predominance of the logic of the ‘ethics of conviction’, and of the destabilising consequences of failing to adequately address these tensions. In this sense, the development of a framework for the comparative study of democratic epistemic

4. “Technopols are technically skilled and politically savvy leaders who held key positions [...] successful technopols have made economics ‘political’ and, in doing so, have created their own power and have enabled their politician allies to govern more effectively. Technopols have made economic policies acceptable to the public at large in democratic settings. More important, technopols have fashioned economic policies guided by their political analysis of the circumstances of their respective countries at given historical junctures; economic policies must meet requirements that originate in the political sphere. Thus technopols often act in ways that are unfamiliar to many professional economists. Technopols design economic policies by understanding their nations’ politics first [...] successful technopols are not mere cooks reproducing the recipes of their foreign instructors, or mere photocopiers of the economic dogmas of other countries. Their discovery of the necessity of politics for the making and selling of sound economic policy in the real contexts of real countries is what makes them pols.” See Domínguez (1997).

5. See Elster (1984).

communities in Latin America is essential to permit an understanding of how such communities may ease the tensions between sound policy making and the democratic legitimacy of policy decisions.

Over the past decade, the density of first and second generation, and macro and micro economic reforms has been very significant in Latin America, although such efforts have been incomplete, disappointing and criticised for failing to boost regional macroeconomic growth as expected⁶. Furthermore, they have failed due to their lack of democratic legitimacy. Thus, the capacity of Latin American governments to design, implement and implant reforms in specific political and social contexts remains uncertain, and their ability to persuade and engage society in their efforts is also at stake. One can argue that this articulation between expertise and politics is not only a key to understanding the success or failure of reform processes but also of processes of transition to democracy. The existence of counter-vailing powers and of cognitive institutions that provide a 'protective umbrella' for democratic counter-elites has been a fundamental aspect of smooth democratic transitions such as that of Chile, where think-tanks like CIEPLAN, kept alive by the Ford Foundation and the Christian Democratic Party (PDC) and nurtured until the restoration democracy, played a pivotal role in ensuring the survival of technocratic counter-vailing powers and alternative arenas of debate⁷. This contrasts with the fate of the Mexican *Centro de Investigación y Docencia Económica* (CIDE) in the early 1980s, which was dependent only on Mexican state patronage, was identified as a focus of potentially dangerous dissent, and whose talented team of anti-neo-liberals was dispersed.

Such organisations also played a pivotal role at critical junctures such as during the liberalisation processes of the 1980s and 1990s⁸. In this sense, technopols function rather like traders or, in Hirschman's words, as *trespassers* of knowledge in the interstices between technical rationality and political rationality. This aspect is important: many of the reformist impulses that are merely transposed from other national or regional contexts and are not adapted to local conditions fail because there is no such *trespassing*. Hence Przeworski's contention that the "cemetery of institutional reforms must be enormous" in Latin America⁹. International, multilateral development institutions should play to promote governance accountability and provide information about government policy so as to allow citizens to sanction rent-seeking

6. For an analysis of this reform process see Lora and Panizza (2002); Navia and Velasco (2003); Williamson (1994); Lora *et al.* (2004a); Lora *et al.* (2004b); Lora and Oliveira (2004a); Lora and Oliveira (2004b); Santiso (2004a).

7. The Economic Research Corporation for Latin America (CIEPLAN). On this topic see: See Silva(1991); Valdés (1995); Silva (1996); Puryear (1994); Santiso (1995).

8. On Mexico see, for example Centeno (1994), and for Latin America in general see Dezalay and Garth (2002).

9. See Adam Przeworski (2004a) and Przeworski (2004b).

cognitive institutions¹⁰. Such institutions must work with policy makers rooted in local political and social contexts if they are to be effective¹¹.

The paper has therefore three aims. Firstly, it aims to situate contemporary trends with regard to the relations between experts and politicians in Latin America in their broader historical and socio-geographic settings. The hope is that by sketching out the distinctively Latin American antecedents to the rising power of the latest cohort of experts it may be possible to demythologise some fashionable judgements about the present. Secondly, we aim to contribute to the *mapping* of the contemporary *cognitive institutions* that produce applied knowledge around economic policies. Thirdly, we will show that the presence of these cognitive institutions contributes to the democratic governance promoting higher deliberative quality in public space. Although not sufficient, this is a necessary condition for an adequate articulation between technical rationality and political rationality. Here the concept of *democratic epistemic communities* is therefore important to take into account: Technocratic cognitive institutions are important but the existence of an articulated epistemic community, spaces for deliberation and arenas of interaction between “experts” and “politicians” are fundamental. If the key institutions for development are those that promote governance accountability and provide information on government actions, authorising citizens to sanction behaviour that limits the capturing of rent, then technopols (or more precisely cognitive institutions, i.e. institutions with technical and policy-oriented capacities embedded in the policy making process) carry out a central role. But above all they need to be adequately articulated with the world of policy making and policy makers as well as rooted in the local political and social context in order to produce adequate and efficient economic policies.

10. See Benhabib and Przeworski (2004).

11. On this topic see Sturzenegger and Tommasi (1998); Rodrik and Iyigun (2004); Prichett (2004); Spiller et al. (2003).

I. DISTINCTIVE FEATURES OF THE POLITICS OF EXPERTISE IN LATIN AMERICA: A SHORT OVERVIEW¹²

All public activities are in some broad measure political and all require certain specialised skills that may be termed 'expertise.' But over time and space the realm of the specifically 'political' may either expand (as during wars or revolutions), or contract (following the discredit of a utopian schema, for example). Similarly, what counts as expertise, and how much autonomy it will be granted, also varies over time and space. Horsemanship, literacy, oratory, textual exegesis, and an understanding of global financial derivatives have each been regarded as the hallmark of the modern expert in one setting or another. The relationship between the 'generalist' politician and the 'specialist' expert is one of the most ancient and recurring themes in political science, as is the conflict between the authority and competence of the specialist, and democratic accountability¹³.

Effective and durable rule requires the enlistment of a range of competences, yet government is not reducible to technique. How then are rulers to be guided by their advisers without being usurped by them? This problem presents itself in many different guises: it may depend upon whether it arises in a hereditary monarchy or a constitutional republic for example; whether it emerges under conditions of technological leadership or of educational backwardness; or whether the dominant preoccupation is with state-building or with state-shrinking. But whatever the prevailing form of rule, and whatever the dominant source of expertise, the fate of the polity will be heavily determined by the manner in which the two inter-relate, and the ways in which the tensions between them are resolved.

Such recurring tensions between politics and expertise are readily visible in Latin America, as elsewhere. But what distinctive characteristics do they display in the particular regional context? At the broadest level, different varieties of expertise (legal expertise during constitution-building periods, engineering when basic infrastructures are being built, or medical *en tiempos de cólera*¹⁴) depend on the main challenges facing a society. Since the 1982 debt crisis it

12. This section draws on chapters six and seven in Laurence Whitehead's, *Latin America: A New Interpretation* (See Whitehead (2005), where the arguments presented are developed in much greater detail.

13. Sheldon Wolin traces this back to Plato in: *Politics and Vision: Continuity and Innovation in Western Political Thought* (See Wolin (1960)).

14. On the predominance of the medical profession and its association with the state to implement highly authoritarian policies see Murdock (1995); Chalhoub (1993).

has been the economics profession that has been most in the ascendance¹⁵, although Latin American states have accumulated multiple and overlapping clusters of expertise, each with its own 'esprit de corps' and track record of addressing national issues, and a history of rivalry with other expert claimants to social prestige and state resources.

As state organisation progressed in the twentieth century many more elaborate and specialised variants of expertise developed and received official sanction. Modern state organisation necessarily involves the creation of various 'cognitive' capacities and specialised abilities (cartographical and statistical for example) in order to design, monitor, and implement ever more complex and refined public policies, all of which presupposes the existence of appropriately skilled professionals. During the long phase of 'inward-looking' expansion the states of the region took on an ever-wider range of responsibilities and so used and promoted increasing varieties of expertise. In many domains 'top down' state bureaucracies were virtually the sole sponsors and users of such key skills: they were also typically authoritarian in style and outlook. In each policy domain, the expending state would designate a particular cluster of specialised operatives as the bearers of the latest idea of modernity and rationality – ranging from anti-clerical educationalists, to 'money-doctors'¹⁶ to even the most up to date 'torture specialists.'

Such 'experts' would typically be granted something approaching monopoly rights in their domains and were seldom encouraged to cooperate with more traditional practitioners in the same field. Their authority usually derived from a unique claim to essential specialised knowledge, 'authenticated' by some prestigious European or North American external source. Such claims were not necessarily subjected to any rigorous internal or external scrutiny, and state sponsorship was often enough to shield them from the challenge of rival or more traditional professional clusters. Less than fully authentic claims to expertise did not necessarily deter these Latin American 'philosopher kings' from using their access to public power to override opposition. Insofar as this is the case, they were less the bearers of an incontrovertible modern rationality (as they claimed), and more the inheritors of a characteristically Latin American oligarchic-patrimonial policy style that has endured to the present. It is a style that tends to dispense with persuasion and reasoned argument with opponents, disdains all criticism as ignorant or self-interested, and overrides opposition through the use of private or public power. Where such a policy style has become entrenched, rival elites usually eschew dialogue, instead sponsoring competing clusters of experts grouped around alternative claims to rationality. The key test becomes not who has the more convincing claim to expertise as a result of open debate, but who can grab and hold onto state sponsorship.

Obviously, such observations tend to be pitched at a very sweeping level of generalisation, and realities on the ground remain extremely heterogeneous, if not hybrid. Nonetheless, the existence of unbroken intellectual and institutional traditions stretching back over one or even several centuries has sharply distinguished the region from most other parts of

15. See, for example, Domínguez (1997); Markoff and Montecinos (1993); Montecinos (1997); Pauly (1997); Maxfield (1997).

16. See, for example, Flandreau (2003), Drake (1994) and Drake (1989).

the 'developing' or 'third' world, where the impact of European colonialism was more recently and incompletely imposed and then withdrawn. Such major republics as Brazil, Mexico and Colombia have extremely well established systems of elite recruitment, socialisation, and reproduction that have evolved only slowly and largely in accordance with internal rhythms and constraints¹⁷. Even Bolivia – a possible yardstick of elite fragility – displays patterns of elite formation and leadership recruitment traceable to the *doctores chuquisaquénos* of the early post-Independence period. Alain Touraine detects a shift from the theorising of the impractical 'doctrinaire intellectual' to political analysis that while still broad in scope and implications was better grounded¹⁸. Albert Hirschman, comparing American pragmatic 'logrollers' to Latin American '*toderos*' with "a finger in every pie", expressing "an opinion of every issue" and usually providing an all-embracing doctrinal justification for any given policy option, also detected the emergence of "a more 'modern' specialist-lobbyist type of attitude", although he felt that *toderismo* was "still strongly entrenched"¹⁹.

This kind of policy style changed only gradually with the shift to more market-based allocations of responsibilities, although the case can be made that in a post-Cold War, democratic, and internationally liberalising Latin America, the politics of expertise is being rapidly transformed. The contrast between Cold War and post-Cold War Latin America provides the best starting point for the claim of irreversible transformation. As a consequence of the Cuban Revolution, for a considerable period foundational issues of political philosophy took centre stage. Fidel Castro never acquired any specific field of expertise and never allowed experts who might constrain his leadership style to flourish; the Sandinistas, who valued priests and poets over accountants or administrators, were almost as casual about managerial competence. Neither Allende nor Velasco, both engaged in voluntarist social transformation, paid much attention to the politics of expertise, valuing commitment to a normative ideal above technical know-how. And lest one conclude that this is an exclusively radical left fetish, the *Falangistas* of Bolivia in the 1970s were less reality-oriented than the Marxist utopians they opposed, and the highly ideological national security states of the 1970s often coexisted uneasily with technical competence.

In the 1980s, it became progressively clearer that the Soviet bloc was no longer an alternative model to liberal capitalism and that socialism no longer constituted much of a threat to the established order. As the aftermath of the debt crisis lingered on it also became more apparent that Latin America would be forced to adjust to the requirements of the outside world and vice versa. Although they had played important roles before – to wit, the money doctors of the nineteenth century and the rise of the Chicago Boys in 1970s Chile – experts quickly became central to the policy-making processes of the post-Cold War 1990s, when the prevailing form of rule became liberal constitutionalism, and the dominant *zeitgeist* favoured state shrinking and

17. See Adorno (1988); Freyre (1986); Barman and Barman (1976); Camp (1989); Camp (1995).

18. Touraine (1988). Compare this to Jean Franco's, "Latin American Intellectuals and Collective Identity" (see Franco (1998)).

19. See Hirschman (1963). His view is that "the more principled the individual decision-makers, the more unprincipled [is] governmental political behaviour, with yesterday's allies being jettisoned today, and yesterday's enemies suddenly being honoured in surprising turnabouts."

market liberalisation, conditions in which the strictly 'political' realm tends to contract, and market-related forms of expertise claim increasing autonomy.

There were swinging denunciations of the evils of 'politicised rent-seeking' and 'populism' and opportunities for a new generation of usually foreign-trained technocrats and managers who believed that the latest version of modernity must consist of a top-down liberalisation and a regional shift to an outward-looking orientation. This obviously increased the scarcity premium and political leverage of those judged to be competent to design and manage the necessary adjustments, mostly economists with US credentials and credibility to play the "confidence game" with foreign investors²⁰. In an international climate of accelerated economic liberalisation, expertise in foreign commerce, finance, technology and the workings of modern market economies acquired an enhanced value²¹. Concomitantly, fiscal austerity, 'state shrinking' and the retreat from universal welfare and education provision, socio-economic regulation, trade union issues, among others, no longer commanded any scarcity premium. Some new channels of professional training and recruitment surged to the forefront while other old-established channels struggled to adapt.

The changing role and outlook of economists and the economics profession in Mexico since the 1930s allows us to theorise about the power of economic technocrats in a broadly 'neo-liberal' era, and about the problems of 'democratising' economists and economic policy management in Latin America. As noted by Sarah Babb, "Mexico has an economic and institutional history similar to that of many developing countries, particularly those of Latin America. Relative backwardness, import substitution in the post-War period, credit-financed populism in the 1970s, and the debt crisis of the 1980s – these are all historical factors that Mexico shares with other Latin American nations"²². It was the Mexican state that initially created this cluster of expertise, and to date, the latter remains far more heavily dependent on state sponsorship and direction than is the case of economists in the metropolitan centres, and economists have acquired and deployed their power in a more top-down and transformative manner than would be typical of economists in developed countries. From the outset, the history of expertise was heavily shaped by dependence on foreign models, and the profession has always tracked international trends in its field, while nevertheless operating according to a distinctive institutional logic within the national context. As tasks of economic modernisation, and more recently, of international economic integration, have come to the fore, so have these experts enhanced their power within the state apparatus. Since the democratisation of the late 1990s, they have had to contend with the hitherto concealed reality that their outlook and agenda rests on scant support from and understanding by Mexican society at large, even though these experts are now repositioned as allies rather than as enemies of the business community.

20. Specific skills have become necessary to deal with the process of financial globalization. See, for example: Mosley (2003) and Santiso (2003).

21. On the Andean countries see Conaghan and Malloy (1994); on Chile see Silva (1996); on Mexico see Centeno and Silva (1997).

22. Sarah Babb, *op. cit.*, p. 12.

All over Latin America the rise to power of economic technocrats produced strong repercussions throughout the new profession. On the one hand, it stimulated an influx of very able new recruits, attracted by the extremely favourable career prospects associated with the possession of this powerful new type of expertise. The career came to offer not just a high income and social prestige, but the prospect of international travel and indeed even for some of a short-cut to political power. Moreover, economic expertise seemed to offer a 'clean' way to tackle the perplexing and often distressing problems of underdevelopment that disfigured society. On the other hand, the career leapt to prominence so quickly that the incipient local resources and traditions were overwhelmed. Moreover, the accretions of power attached to the claim of economic expertise have been so great that arguably the development of the profession was distorted and politicised. In the absence of a strong pre-existing community of scholars or a dense community of economically literate consumers it has been tempting for newly minted economists to vault from ignorance to the status of *iluminados*, who feel under no constraint from the critical judgments of the ignorant people around them²³.

23. Compare Robert Dahl's presentation of the case for and against "guardianship" as an alternative to democracy: "In comparison with the judgments of ordinary people, which reflect all the uncertainties of mere opinion, the guardians can acquire knowledge of what is best for the community that approaches something like rational certainty" (or so they believe). But this ignores the inherently risky nature of policy decisions, and the fact that "experts often utterly fail to comprehend how the real world may stubbornly refuse to play by their rules." In any case to rule well requires moral competence as well as instrumental expertise. These objections in principle are quite apart from the practical difficulty that guardians have often become corrupt and self-serving. Robert A. Dahl (1989).

II. COGNITIVE INSTITUTIONS AND EPISTEMIC COMMUNITIES: MAPPING LATIN AMERICAN EXPERTISE

The final decade of the twentieth century has witnessed the unprecedented rise of technocrats and economists, as globalisation has stimulated the incorporation into the policy-making community and process of technicians able to deal with the new issues affecting emerging market economics. In this context, it has been recognised that the articulation between political and technical rationality is central to explaining the success or failure of economic policy in Latin America²⁴.

The reinforcement of the base of production and dissemination of existing knowledge in open societies, and knowledge sharing between state and the centres of knowledge, is crucial in raising the level of accountability and transparency, which is, in turn, essential for democratic governance, particularly in emerging democracies. This section examines the institutions that facilitate the spread of expert knowledge and its use in policy elaboration and implementation. The aim is to show how knowledge is incorporated into political and administrative institutions and into the executive, judicial and legislative process in particular. It further examines how such institutions create epistemic economic policy-making communities, and the challenges they face in the Latin American political-economic context.

The map of relations between expertise and politics has been changing. In this part, we would like to stress the contemporary mapping of the cognitive institutions that emerged over the past decades as pivotal in the *economic policy-making* processes all over Latin America. The aim here will be to establish the cognitive map of applied knowledge in economic policies in the different countries of the region. Some are national, others foreign; some public, others private. They are not all equally relevant for the economic policy-making process, depending on the national context, their respective human and financial resources, the scope of their inter-actions, etc. But they are *open* epistemic communities, which means that one expert can move between cognitive institutions and this trespassing game allows the diffusion and communication of ideas, views and visions and facilitates the policy-making process.

24. This point was forcefully made by Cardoso, Fernando Henrique in “Consideraciones sobre reforma del Estado y gobernanza democrática”, a speech proffered at the Annual Meeting of the Board of Governors of the Inter-American Development Bank, Lima, Peru, 27 March 2004.

State Cognitive Institutions²⁵

The pre-eminent policy-making cognitive entity is the state. State related cognitive institutions are key cognitive actors in the policy-making processes.

One way of investigating the existence of a competent and professional sector in a state organisation able to operate on its own terms despite the need to coexist with a clientelistic or 'rent-seeking' sector, is to examine an aspect of public administration which is seldom studied historically: the development of a 'cognitive' capacity. In Latin America the record in this regard is extremely uneven and variable over time. There is a wide range of experiences, from cases where even the most basic information is lacking about the internal workings of the state (what it owns and who it employs) to extremes of both personalised and bureaucratised control (the Trujillo or the Uruguayan military dictatorships for example). Both extremes can be cited as confirmation of a 'parasitic' or 'predatory' image of the state in diametrical contrast to the Weberian ideal type of a 'rationalising' modern bureaucracy. But the developmental and 'nation-building' dimension of state activism also represents an at least partial and intermittent element of the historical experience recorded here. In other words, there is a serious tradition of providing 'public goods' through the state, tangled up with other, more self-regarding or predatory, traditions. The empirical study of advances and retreats in the 'cognitive' capacity of the state should help to clarify the nature and purposes of public administration at different times and in different places, and thereby enable us to qualify over-generalised claims about the 'predatory' or 'over-extended' or indeed the 'developmentalist' state. The 'cognitive' capacity of a public administration can be studied by examining two issues: first, the kind of information available to the central authorities (how accurate, comprehensive, timely, and easily processed it is), and second, when the authorities formulate a public policy, how difficult it is for those affected to discover what the policy consists of and what impact it might have on them, and what scope might exist for corrective measures if the process of implementation diverges too radically from the intentions of the policy makers.

One way to illustrate the varying cognitive capacities of states is to examine the performance of national executives and legislatures. There is a wide range of institutions like central bank or economic ministry research departments that process, produce and disseminate expert economic policy know-how, including institutions like the Superintendence of the AFP in Chile, the BNDES or IPEA in Brazil,²⁶ and DANE in Colombia. However, while the technical expertise of economics ministries and central banks is quite consolidated across the board, nearly all Latin American countries lack parliamentary technical capacity, which alters the balance of technical and political rationality and does not auger well for the reinforcement and professionalisation of regional legislatures. There have been many experiences and attempts to boost these capacities but some have been short-lived and most of them were excessive in scope.

25. This section draws on Whitehead (1994) and on the second chapter in his *Latin America: A New Interpretation*, op. cit.

26. IPEA is probably one of the largest cognitive institutions in Latin America with 600 employees in 2005, half of them economists and analysts. Nearly 70 per cent of the 300 economists and analysts hold PhDs degrees.

In fact, Parliaments at best have limited resources at their disposal for legislative research offices and parliamentary libraries. In Uruguay, for example, there are no professional staff serving the budget or related committee(s), and there are less than ten for countries like Argentina, Bolivia, Mexico and Chile (the exception being Colombia with more than 10 dedicated to budget issues). In countries like Argentina, Bolivia, Colombia, and Uruguay, there is no specialised budget research organisation attached to the legislature that conducts analyses of the budget (Chile has one with less than 10 dedicated professional and Mexico also has one with more than 25 dedicated specialists). In some countries like Peru there were attempts, in 2001, at enhancing parliamentary capacity for independent research and analysis, with the support of the IADB and the USAID agency, with the establishment of a Parliamentary Research Centre. Similarly in Colombia, there was a project in 2002, supported by USAID, to create an office providing general research and advice in order to support the parliament (*Oficina de Asistencia Técnica Legislativa*). In Mexico, the research and advisory capacities of parliament for independent budget analysis has also been enhanced with the creation in 1998 of a Center for the Study of Public Finances (*Centro de Estudios de Finanzas Públicas*) located in the Lower House, completing the already technical institutions of the Senate established in 1985. Some experiments have, however, been less stellar such as the Venezuelan Economic and Financial Advisory Office (*Oficina de Asesoría Económico y Financiera de la Asamblea Nacional*), created in 1997 within the National Assembly and with the support of the IADB but closed and reopened in 2000, reflecting the pressures and tensions since Chávez took office.

One interesting and important exception is Brazil, which successfully developed broad technical capacity within parliament in the 1990s on a level comparable to that of the older democracies of Britain, France or the US. The budget committee of the Lower House is assisted by a Research Office, consisting of about 35 professionals. In total the Brazilian Congress has an advisory organ, the Legislative Consultancy, with 245 employees, of which 190 are specialist consultants in diverse areas. These individuals are full time employees of Congress, and they are selected through a competitive examination. It is a requirement that they should have a post-graduate qualification and prior executive experience or a record of work for the National Audit Offices. Their tasks range from preparing technical papers to providing support to deputies, and they are organised into teams of consultants covering different areas of expertise²⁷. Similarly, the Senate also has its technical support service, with 308 consultants selected through a competitive public examination, 22 of whom are trained economists. The positions are adjudged through public competitive examination and require strong technical credentials (see Graph 1 and Table 1).

Non-State Cognitive Institutions: Think Tanks and Banks

State organisations in Latin America have traditionally provided the 'umbrella' under which various non-state economic policy-making cognitive institutions operate, compete with

27. See: www2.camara.gov.br/conheca/estruturaadm/conle/index2.html and www2.camara.gov.br/conheca/estruturaadm/conle/consultores. Studies and technical notes are produced regularly, and some posted online at www2.camara.gov.br/internet/publicacoes/estnottec

one another, and struggle to influence the decision-making process of political authorities. Two key private actors are banks and think tanks.

Think tanks play a vital role in the formulation and dissemination of policy proposals and in supplying key inputs for the policy-making process²⁸. However, their power and resources vary greatly from country to country, and are certainly very low when compared with the US. In some countries like Argentina, the density of this kind of institution tends to be very high; in others, like Venezuela, it is relatively low. However, if we compare their financial resources with those of their US counterparts, the scale is very small, even though they often provide exceptional outputs. The budget for the economic division of IESA or the CENDES in Venezuela, for instance, is barely \$500 000 (compared with the Ministry of Finance research team's \$100 000, the \$500 000 of the economic research unit of the Planning Ministry, and the \$1 000 000 of the economic department of the Central Bank). In all, there are little more than 150 economists (this is a rough estimate but it does give a general idea of existing technical capacities) (see Table 2).

If one compares this with the US, the combined budget of all Venezuela's cognitive institutions (see above list) is barely 50 per cent of the annual budget of the Institute for International Economics (IIE) in Washington, which had \$7 million in 2004 alone and is not even the largest such institution (the Rand Corporation had \$224 million in 2004, and the Brookings Institution had \$33 million). The Venezuelan and Latin American situation is even less favourable if one considers the significant endowments of US institutions (see table below), which not only contribute to their financial power but also to their intellectual autonomy. In 2004, endowments ranged from \$ 357 million (Rand), \$217 million (Brookings), and \$159 million (IIE), to \$102 million (Heritage) (see Table 3).

According to a survey of nearly 250 think-tanks across Latin America, Asia and Africa²⁹, the budget structure of such institutions in developing countries is very similar: about 40 per cent have between \$100 000 and 500 000 (45 per cent in Latin America). Less than 18 per cent have budgets of approximately \$1 000 000 (13 per cent in Latin America). As regards staff composition, less than 13 per cent in Latin America have more than 50 permanent staff and more than 60 per cent employ less than 20. Most importantly, they interact quite intensely with other key policy-making players (74 per cent in Latin America meet regularly with policy makers). Generally, however, there is a high number of think tanks in Latin America, and particularly in some countries like Argentina (see Table 4). The largest in financial terms are not think tanks but consultancies. *Tendencias* in Brazil, for example, is relatively large in terms of staff (60 people, of which 85 per cent are economists) and budget (the 2004 annual budget was about \$3 million). However, *Tendencias* is completely privately owned, sells its products (unlike US think-tanks), and focuses mainly on consulting work for banks or corporations. Its aim is less to influence policy making than to provide data and analysis to private and public clients³⁰.

28. See Stone (1996).

29. Braun et al. (2004a).

30. See www.tendencias.inf.br

Among Latin American think-tanks Fedesarrollo deserves a special mention as being one of the largest think-tanks in Colombia and one the most prestigious of Latin America³¹. The Foundation for Higher Education and Development, Fedesarrollo, was created in 1970. By that time neither trustworthy economic information nor systematically produced technical studies were available to help formulate coherent policies or to make decisions in the private sector. The Colombian private sector, keen to create an independent economic research facility, showed interest in underwriting such a cause. A number of talented economists, who stepped forward to staff the organisation, created a link among Colombia's top universities, policy makers, and industrial leaders and helped to develop the institution. Over the nearly four decades of its existence the institution has experienced an important evolution, as its environment also changed and Colombian state capacity improved. However it has maintained its credibility and autonomy over the years and fostered timely discussions about economic and social themes and maintained its influence on economic policy. It has managed to create an important space for dialogue on topics of national interest by periodically organising debates on social and economic issues (*Debates de Coyuntura Económica y Social*) and promoting and/or hosting forums and seminars in which national and foreign economists participate.

In 2005, the number of employees was 44, of which 26 were economists, some of them with PhDs (7). It regularly publishes the results of its research in a Working Papers Series, publishes two academic journals (*Coyuntura Económica* and *Coyuntura Social*), and disseminates its opinions in the press through statements, seminars, and press conferences. However, like many other Latin American tanks, its annual budget remains rather small (\$1.3 million in 2004; 30 per cent coming from the private sector), compared to other similar US institutions, even if it manages to consolidate a small endowment. Its production is rather impressive and its ability to build intricate links with the official administrations makes Fedesarrollo rather a unique private institution through its capacity to influence and participate in the policy-making process of the country (most of the top researchers and directors of Fedesarrollo sooner or later trespass to the public sector and vice versa). Many have participated in the preparation and execution of economic and social policies. For example, many of Fedesarrollo's former Executive Directors have held offices of enormous influence not only in Colombia, but also internationally: Rodrigo Botero has been Minister of Finance of Colombia; Roberto Junguito rose on several occasions to the State, becoming Minister of Finance and Agriculture and board member of Colombia's Central Bank (*Banco de la República*), Miguel Urrutia became a Director of National Planning, Minister of Energy, and is still involved in policy issues as governor of *Banco de la República*; José Antonio Ocampo has been a former Minister of Finance, Minister of Agriculture, Director of National Planning and Executive Director of ECLAC (currently undersecretary for economic affairs of the United Nations); Guillermo Perry has been a former Minister of Energy, and Finance (currently he is the Chief Economist for Latin America and the Caribbean at the World Bank); Eduardo Lora became Senior Advisor of the Research Department at the Inter-American Development Bank and Juan José Echavarría trespassed to the *Banco de la República* where he became a board member. The actual executive director of Fedesarrollo, Mauricio Cárdenas, also held important positions in the Colombian administration where he served in several occasions

31. See on Fedesarrollo the case study of Miguel Braun et al., (Braun *et al.* (2004b).

as Minister of Economic Development (1994), Minister of Transportation (1998-1999) and Director of National Planning (1999-2000).

Academic institutions and scholars also make a key contribution to the Latin American policy-making cognitive capacity by formulating proposals, stimulating the debates and, when academics enter the government arena, promoting implementation. Academics based outside Latin America can be very active in formulating policy and contributing to agenda setting at the national and regional levels. Ricardo Hausmann, for example, released a policy paper in 2005 co-authored by Harvard's Dani Rodrik and the IADB-based economist Andrés Rodríguez-Clare, advocating a growth strategy for Uruguay just before the new Tabaré Vázquez government took office in March 2004. Previously at Harvard, Hausmann served as the first Chief Economist of the IADB (1994-2000), whose research department he established. He served as Venezuela's Minister of Planning (1992-1993) and was a member of the Board of the country's Central Bank and was therefore actively involved in national policy making. He later remained involved in policy debates with his media-published writings and by organising conferences such as that held at the *Harvard Business School* in 2003 on the challenges posed by the Chávez administration³².

Financial institutions and banks in particular are perhaps even more directly involved in the economic policy making process, given their strong technical and economic competences. They provide data and analysis as well as normative guidelines and advice. Their media presence, their constant interaction with top government officials and their analyses are woven into the economic policy agenda. Bankers often move into government and vice-versa, contributing even more directly to the policy-making process³³. In recent years, asset managers like Fraga or bankers like Meirelles have been appointed governors of the Brazilian Central Bank. The former Chief Economist of UNIBANCO, Alex Schwartzmann, also joined the Central Bank, and his counterpart at Citibank moved to the BNDES, while, in the reverse direction, former minister Pedro Malan moved to UNIBANCO. Vittorio Corbo, a leading scholar and professor of economics, provides another example of 'trespassing'. He became Governor of the Central Bank of Chile in May 2003, having been economic adviser to the Santander Group in Chile (1991-2003) and a member of the Board of Directors of Banco Santander-Chile (1995-2003). There are many such trajectories: the move from banks to government by leading economists such as Guillermo Larraín, the former Chief Economist of BBVA in Chile who became *Superintendente* of the AFP in 2003; Juan Ricardo Ortega, former Chief Economist of BBVA in Colombia who became Vice Minister of Finance in 2003, and later joined in 2006 the IADB as senior top official; or Luis Carranza, who was Chief Economist of BBVA in Peru and in 2004 was appointed Vice Minister of Finance of Peru, before being named Minister of Economy of Peru by mid-2006.

Typically, major Brazilian banks such as BRADESCO, ITAÚ and UNIBANCO have established economic research departments, housing around 15 full-time economists or analysts. ITAÚ, for instance, has 16 employees of which 9 are economists (4 of them have doctorates and 3

32. See Hausmann *et al.* (2005); ksghome.harvard.edu/~rhausma/publication.htm; ksghome.harvard.edu/~rhausma/publication.htm#seminar.

33. See J. Santiso (2003) and J. Santiso (2004b).

previous government of IO experience). The 12-strong team led by Octávio de Barros, Chief Economist at BRADESCO has had a high media profile and participated intensively in the Brazilian policy debate. Sergio Werlang is another case in point: he is Chief Economist with ITAÚ, and was previously Deputy Governor of the Central Bank of Brazil. All of these banks, however, do not habitually make their publications available to the general public, and papers are only rarely and sporadically disclosed as a result of internal decisions. Participation in public debate is achieved rather by the presence of bank economists in conferences, and through the media. Chief Economists are usually highly qualified individuals with a strong public profile and recognition. Major international banks also participate in local policy debates through the media and through direct contact with top government officials. One-on-one meetings between these parties are very frequent, and channels of interaction can range from indirect media debate to direct formal and informal exchanges at private meetings or public seminars. The IADB annual meeting or the IMF/World Bank meetings provide an important arena for such exchanges, in the parallel sessions organised by bankers to exchange views with top government officials. As an example of this type of confidence game and interaction we listed the officials that attended the private meeting with investors organised by Citibank, Merrill Lynch and JP Morgan in Okinawa, Japan, for the IADB Annual Meeting (Table 5). The failure or success to (de-)articulate the voice, exit or loyalty of the market can be crucial in moments of financial tension, leading governments or candidates to try to curb expectations by changing agendas, priorities or policies³⁴.

The resources that banks devote to economic analysis vary, but they are usually significant. If research departments and brokerage arms are taken together, the largest teams in Latin America belong to the two leading Spanish banks, Santander Central Hispano (with close to 70 analysts on Latin America) and BBVA (with nearly 80) (See Graph 2 and 3). These are quite significant resources when compared to US investment banks, which have about 10 Latin America specialists (economists and fixed income strategists). Most banks allocate only one (or less) economist per country covered (the coverage ranges from 1-15 countries). Research and brokerage considered, HSBC and ING have an average of two economists per country, while SCH and BBVA have an average of 10-12 (tendentiously covering their major markets, usually Brazil and Mexico). In most instances banks tend to focus resources on their preferred countries, so that local presence is biased. This applies not only to Spanish banks, but also to CSFB (Credit Suisse First Boston, which has a large team in Brazil), JP Morgan (its Chief Economist for Latin America is based in Mexico), and others. Although the size of teams varies greatly, CSFB and BBVA have 65 per cent of their analysts based in Latin America. At the opposite end of the spectrum, banks such as Dresdner (Germany) or Bear Stearns (US) concentrate all their cognitive capacity at headquarters (see Graph 4 and 5).

The contribution of the private sector to building the cognitive capacities of local institutions is therefore incomplete and limited, given that coverage is not evenly distributed and universal. Indeed, only the largest countries benefit from articulated coverage. While the three largest Latin American economies (Brazil, Mexico and Argentina) are covered by 20 banks included in the sample only a third cover Uruguay, less than 20 per cent cover Costa Rica and

34. On the Mexican financial crisis of 1994 see, for example: J. Santiso (1999); on the 2002 Brazilian election see: Santiso and Martínez (2003) and J. Santiso (2004a).

only 5 per cent cover the Central American republics (where in addition coverage is not regular as it is for the major economies). Only 15 of region's republics appear on the radar screen of the international financial community and only 10 are regularly covered by more than 30 per cent of that community. In other words, countries like Bolivia or Nicaragua simply do not exist on Wall Street or in the City (see Graph 6). Strengthening economic knowledge of these countries is therefore a pending task. Only multilateral agencies like ECLAC, IADB, CAF, The World Bank, IMF, have here enough presence or at least an important role to play in order to contribute to the epistemic community building on economic policy issue.

A Specific Mention: Multilateral Institutions as Cognitive Institutions

A last key actor and source of legitimacy and cognitive capacity building is found outside the strict national ground, in the multilateral arena. Multilateral organisations (IO) act as institutional masts for the Latin American community of policy makers and experts, having great financial resources and technical capabilities at their disposal. Only multilateral agencies like ECLAC, IADB, CAF, the World Bank and the IMF have a presence in such places, or at least an important role to play in contributing to building the economic policy epistemic community. They play a key role in the production, communication and even implementation of policies in various Latin American countries. Some are based in Latin America (such as the Economic Commission for Latin America and the Caribbean, ECLAC), the *Corporación Andina de Fomento* (CAF), or the *Facultad Latino-Americana de Ciencias Sociales*, FLACSO), but the most important are found outside the region: the International Monetary Fund, the Inter-American Development Bank and the World Bank (although the latter two have important units in Latin America).

Studies abound on the role of the IMF in defining policy boundaries in Latin America in the last few decades³⁵. Its technological and technocratic capacity is highly significant: more than 100 economists work in the Western Hemisphere unit alone, and this is only part of the resources dedicated to Latin America, as other divisions provide expertise on fiscal adjustment, banking and other areas. Likewise, the World Bank has more than 100 economists in its Western Hemisphere division, and many other Latin America experts from other units. The institution has also developed important local units over the last few years (Mexico and Brazil are examples), and the Chief Economist for Latin America is based in Colombia. Both institutions concentrated a huge critical mass of expertise and act as epistemic communities, vehicles pushing policy ideas from the abstract level to both international organisations and state agendas (Adler and Haas, 1992). Critics of these "econocrats" systems abound, most of them pointing to their (supposed) monolithic thinking (in reality, however, changing over the 2000s with more emphasis on diversification) and the common background of their staffs. The IMF in particular has catalysed all these critics, being perceived as an insular organisation lacking in diversity (as pointed out by recent studies, the economist Program Recruits is dominated by Anglo-American graduates and half of the recruits came from a pool of twenty US universities, the other 45 per cent from European ones³⁶).

35. See Weyland (2002); Teichman, (2001); Thacker (1999); and Vreeland (2003).

36. See Momani (2005).

A more interesting institution from the point of view of Latin America is the IADB, an IO that plays a leading and pivotal role in providing sound expertise to the region. The IADB Research Department for example, created in the 1990s by Ricardo Hausmann, developed an activity that is, from the point of view of the articulation between technical and political rationality, rather impressive, for a unit of no more than 13 full time economists, nearly all of them with PhDs from leading universities, and 11 research assistants (it also counts on the support of 12 more administrative staff). The unit, frequently in coordination and collaboration with other units of the bank or external scholars and experts, publishes annually the IPES (*Economic and Social Progress Report*), IDB's flagship publication which always focuses on key issues. It also publishes policy-oriented newsletter three times a year (*Ideas for Development in the Americas*) and a wide range of working papers, (approximately 50 technical papers) annually which circulate in academic and technical milieus, and books, in particular a series co-sponsored by the IDB, World Bank and ECLAC and published by Stanford University Press. The activity of dissemination is also intensive, ranging from internal policy seminars to international joint conferences and seminars with other organisations that included in the 2000's Banco de España, Banco Bilbao Vizcaya Argentaria, the World Bank, the Federal Reserve Bank of Atlanta, Harvard University and George Washington University.

One important aspect of the IADB Research Department is precisely its contribution to the articulation between scholars, experts and policy makers on key Latin American issues. This activity is expressed in many ways from informal interactions between the IADB Chief Economist, research staff and policy makers to formal meetings with top Latin American officials and policy makers. The institution, through its Research Department, also contributes to the densification of this interaction through its networks. The Research Department alone coordinates five networks that not only work as channels of dissemination of its studies but also as tools of promotion of high-level policy discussions between the IADB, national authorities and the academic community. The Latin American Network of Central Banks and Finance Ministries is, for example, a forum for high-level discussions on macroeconomic policy and financial management, bringing together top officials and leading scholars. The interactions are also extended to financial markets with The Capital Markets Network on Latin American Financial Issues, a forum for Wall Street firms and Washington-based multilateral institutions to exchange views on Latin American macroeconomic and financial issues, or The Latin American Financial Network, which brings together academics, development practitioners and policy makers in order to discuss current financial policy issues.

Another important dimension related to the IADB is its contribution to deepening locally grounded knowledge in Latin America, i.e. to consolidating directly or indirectly cognitive institutions. One means of achieving this is linked with the strategy of the Research Department itself that leverages its internal research capabilities by supporting the in-country research of the Latin American Research Network, which encompasses around 300 public and private institutions in the region. It also contributes to the strengthening of cognitive institutions all around the region with its bank loans and targeted institutional building and governance programmes. For example, from 1994 to 2003, the IADB approved seven credit operations in favour of parliamentary consolidation for a total amount of \$45 million (as part of a total \$60 million programme). During the same period it also approved nine projects for more than

\$50 million in order to consolidate fiscal institutions. In some countries, and for some institutions like the Contraloría General de la República in Nicaragua, these IADB contributions can be quite important, representing 30 per cent of the annual budget of the institution³⁷.

The ECLAC and CAF are two other particularly interesting regional IOs, as they are locally grounded and illustrate the interaction between technocratic and political rationality in the region. For this reason both deserve a specific mention. Established in 1948, ECLAC (the Economic Commission for Latin America and the Caribbean of United Nations) is one of the oldest international organisations devoted to Latin America. Headquartered in Santiago de Chile, it has seven other centres distributed all around Latin America and in Washington. It is therefore also very locally-based. In June 1951 the Commission established the ECLAC sub-regional headquarters in Mexico City, which serves the needs of the Central American sub-region and in December 1966, the ECLAC sub-regional headquarters for the Caribbean was founded in Port-of-Spain, Trinidad and Tobago. In addition, ECLAC maintains country offices in Buenos Aires, Brasilia, Montevideo and Bogotá, as well as a liaison office in Washington, D.C. In 2005, only half of the nearly 600 staff members were located in the Chilean headquarters (outside Chile the biggest office is Mexico with more than 50 staff members). The annual budget of the institution reaches nearly \$100 000 000. Depending on the definition given to 'research', the bulk of this budget (40-70 per cent) is committed to the promotion of ideas and policy making.

Historically, ECLAC played a pivotal role in promoting policy-making ideas such as import substitution theories, under the leadership of Raúl Prebisch who was a former Executive Secretary of the organisation from 1950 until 1963³⁸. Keynesian thought, the historicist school and the Central European institutionalists exerted a decisive influence in the Commission's early years and on the development of the "*teoría de la dependencia*" that had decisive influences on Latin American policy making during the 50s, 60s and part of the 70s. Later, the institution, mostly under Gert Rosenthal, José Antonio Ocampo and now José Luis Machinea, changed heavily its focus under new pro-market influences (in 2005 for example the institution organised for the first time a joint conference with the IMF). New theories of international trade and industrial organisation have been incorporated in the agenda while theories of the firm, transaction costs and institutional economics emerged as key research agenda. Above all, ECLAC remains one of the most important cognitive institutions in the region with a total of 73 economists, a recognised prestige in Latin America, and with an important potential in the regional agenda setting.

Another interesting international cognitive institution is the CAF, which has also developed over the past decades an important locally-grounded capacity. Based in Caracas, this cognitive institution has around 300 permanently active employees (see Table 6). To this can be added the external consultants contracted for specific works through the Technical Cooperation and/or Strategic Programmes (like for example those included in the Research programme). It developed a specific Research unit with a total of 14 economists, most of them with PhDs, and all

37. See C. Santiso (2004b).

38. On the influence of Raúl Prebisch on the organisation see the special issue of the CEPAL Review in December 2005.

based in Latin American countries: 10 in Caracas, 1 in Bolivia, 1 in Peru, 1 in Colombia and 1 in Ecuador (for more details, see Table 7)³⁹. The technical and cognitive capacity of this institution is therefore totally grounded in Latin America, contributing more directly to the debates, agenda settings and spread of policy-making opinions between and within the countries on issues as different as fiscal sustainability in the Andean countries and pension reforms or growth strategies in Latin America. The Research programme was born with the aim of having a knowledge base that allows the CAF to react on development issues by providing ideas, advice and policies to governments. The programme also has a brain-gain dimension as it helps to attract and maintain technocratic capacities in the countries, be it directly (through financing technicians in government offices) or indirectly through providing research resources to local think-tanks or academics. These institutions find greater difficulties in staying updated and above all in attracting new fellows frequently socialised and trained abroad. Finally, the institution plays a pivotal role in the region as an arena of debate and a centre of diffusion of policy-oriented knowledge, the CAF always trying to promote interaction between academy-private sector-public-sector on specific policy issues relevant for the policy-making process of the Andean countries through interactive conferences or more focused meetings between the top management of the institution and their board, namely the Andean countries' governments⁴⁰.

The research programme of the CAF can be divided into four components: programme of invited investigators; works of investigation contest (or "call for papers"); commission of works of investigation; and finally a programme of diffusion. In the first three cases, the programme is dedicated to regional based research fellows working on issues, which are high-priority on the agenda of the CAF, but which cannot benefit from immediate development by full-time fellows of the Corporation, due to a lack of availability of human resources and/or a short-term agenda. The fourth component is oriented to the organisation of seminars and conferences, as well as publications to spread the ideas towards governments. In 2004, the CAF supported research studies for a total cost of \$245 000 (See Table 8 for more details), providing resources for researchers from institutions such as Torcuato di Tella University in Argentina, Pontificia Universidad Católica del Perú or Universidad Católica Andrés Bello in Venezuela. This aspect, also important for other institutions such as the Inter-American Development Bank which is also developing a very important Latin American research network⁴¹, contributes to other cognitive institutions grounded in Latin American countries (namely academia or think-tanks), and

39. See CAF (2003); CAF (2004a); and CAF (2004b). At the conference organized to present an annual economic report on 29 November 2004 top officials from the Peruvian, Colombian, Bolivian, Ecuadorian and Venezuelan governments, among others, were present.

40. See for example the conference around the presentation of the first annual economic report of the CAF (see CAF (2004b)). The presentation of the report, on November 29 2004, benefited from the participation of top officials of the governments of Perú, Colombia, Bolivia, Ecuador, and Venezuela, among others.

41. The Research Department of the IADB manages in total 7 networks. The Latin American Research Network is one of the most important in terms of cognitive institutions support. Created in 1991, this network of nearly 300 research institutes has proven to be an effective vehicle for financing quality research to enrich the public policy debate in Latin America and the Caribbean. More than 40 projects have been financed since 1991 and 130 working papers published.

therefore to the strength and quality of the debates in the local epistemic communities, the quality of agenda settings and the formulation, diffusion and, from time to time, the implementation of policy recommendations.

Adopting a country focus rather than large macro-comparisons helps to confirm the great variability of the density of the cognitive capacity and of the epistemic communities formed in the economic policy-making arena. By way of illustration of national cognitive maps, what follows is a brief analysis of two different epistemic policy-making communities, Peru and Uruguay, with varying degrees of power and density, and which operate in highly disparate contexts and with greatly divergent results in terms of the quality and legitimacy of policy formulation, implementation and outcome.

Peru: Institutional Fragility

Peru presents us with a paradox: it has an epistemic community made up of a dense and powerful set of cognitive institutions, and yet the policy-making ability of the state is weak and fragmented. There are three government institutions that control economic policy decisions in Peru: the Economy and Finance Ministry (EFM), the Central Bank (BCR) and Congress, of which the EFM is the leader. The formulation of policy is formally the competence of the Vice Ministry of Economy (with 40 employees, and with the support of the departments responsible for Economic and Social Affairs, International Economy, Competition and Private Investment, Public Revenue Policies, and Multi-Annual Public Sector Planning). In practice, however, an informal committee that includes the Minister of Economy, the Treasury Vice-Chancellor, and Central Bank Head of Advisory Staff and Economic Studies Manager coordinates policy formulation. Once policy is approved it is submitted to Congress or implemented. The Central Bank also participates actively in economic policy (fiscal policy) design through its participation in the aforementioned economy ministry committee, in which it exerts considerable influence because of its relatively strong institutional development (an 'army' of highly qualified technical staff armed with statistics and economic models that the Ministry of Economy and the public sector in general have not adequately developed). A key unit, from the point of view of the formulation of policy proposals, is the Economic Studies Department, which is responsible for the implementation of monetary policy. It has 120 employees, 80 of whom are economists. Its administrative structure, which is shaped by the financial programming schemes of the IMF, is divided into five departments: global analysis, external, monetary, fiscal, and real estate.

As noted above, 120 strong Congress is not a strong cognitive institution. It participates actively in the policy-making process but without any endogenous technical capacity or permanent technical staff. Legislators participate in various committees where proposals are discussed and approved, after which they are submitted to the Congressional General Assembly (*Pleno del Congreso*) for final approval. Congress has 24 ordinary committees and legislators can participate in as many as three different committees at any given time. The technical capacity of the Congress is extremely low as its support staff is not sufficiently trained or skilled to help legislators carry out their economic policy duties effectively. In 2002, Congress created the Parliamentary Investigation Center (CIP) to increase technical support but it is still incipient, and legislators tend to get backing from private advisors whose services are paid out of the national

budget. On average, each congressman hires two such advisors specialising in different fields (usually law, economics and finance). However, given the intellectual capacity of congressmen and the absence of monitoring of the fulfilment of legislative responsibilities the use of advisors does not necessarily guarantee high quality policy formulation. Congress employs 2 072 people, of which 565 are professionals with executive responsibilities who participate in the various committees. The technical capacity of the Congress is very weak: there are 4 analysts to serve the whole Congress and they do not usually give technical advice to deputies.

Turning to the non-state sector, a key player in policy formulation if not implementation is the think tank. The most influential in Peru are APOYO MACROCONSULT, GRADE and IPE. Their endowments are small: the largest, APOYO, is entirely privately owned, employs 65 people and in 2004 had an annual budget of \$5 million (see Table 9). Apoyo Consulting is part of the Apoyo Group and was created in 1977 to offer economic, financial and managerial advice to its clients. It has approximately 150 firms in its portfolio, including the most important national and international firms operating in Peru. With a 250-strong team, it has experienced an average income growth of 25 per cent per year since 1977. Its billing reaches \$200 per every million dollars of Peruvian GDP. APOYO shapes economic policy through client advisory services and confidential documents, monthly meetings with clients to discuss key economic and political questions, and member participation in economics debates in various different fora, such as seminars, conferences or press conferences⁴². The Peruvian Institute of Economics (IPE)⁴³, on the other hand, was created in 1995 by 31 national businesses, with initial support from the World Bank Institutional Development Fund (from 1999 funding comes from member contributions and the sale of research products). IPE is a very active player in policy debates through conferences, publications and public debate in the press. Under Fujimori most of its members participated directly in government, holding different positions in the Ministry of Economy and Finance. Finally, there is the Analysis Group for Development (GRADE), a non-governmental organisation established in 1980, which researches public policy design and implementation in economics, education, environment, and social topics. Funds come primarily from international institutions (90 per cent, of which 40 per cent is provided by IOs, 40 per cent by cooperation agencies, and 14 per cent by international foundations; only 10 per cent of funding comes from national institutions). Its work is disseminated through publications, a web page and through the media among other channels. The Associated Assembly, in which most of the principal researchers participate, is the executive organ, which determines the research agenda and development strategies to guarantee institutional autonomy. GRADE participates in policy debates at the highest technical level and does not normally engage in public debate⁴⁴.

Also to be considered are the two universities with research centres, which are also involved in policy formulation: the Research Center at Universidad del Pacífico (CIUP)⁴⁵, and the Center of Sociology, Economics, Politics and Anthropology of the Catholic University of Lima

42. www.apoyo.com/english/eco_studies/

43. www.ipeportal.org/

44. For a detailed analysis of GRADE see the study directed by Miguel Braun (see Braun *et al.* (2004c)).

45. www.up.edu.pe/ciup/

(CISEPA), who make important contributions to the policy debate. CIUP was established in 1972 and is funded by the university budget and by international and multilateral organisation contributions. And then there are the private banks, also with developed cognitive capacities. There are three key private banks with economic departments: BBVA *Banco Continental*, *Banco de Crédito*, and *Banco Wiese Sudameris*. These contribute to economic debate through publications, articles, press appearances, seminars, conferences and interviews. The research teams range from 3 to 9 economists, none with doctorates but most having had previous government experience. It is a small community with less than 20 economists (30, if one includes those following the Peruvian economy from US and European headquarters). A comparison with the neighbour, Venezuela, helps to put in perspective the cognitive capacities located in banks for both countries, both having the same number of economists in the private sector, around 20 in Peru and less than 25 in Venezuela (see Table 10).

Finally, there are the multilateral players. Among multilateral players the most important are the IADB⁴⁶ and the CAF. Both institutions bring to the Peruvian – and the Latin American policy debate and process more generally – not only financial resources but also technological and technocratic assets. The IADB focuses mainly on monitoring government financial programmes, while the CAF contributes only marginally to the domestic economic policy debate.

Uruguay: An Intermediate Case

Uruguay provides an intermediate example. As in Peru, government institutions are at the centre of the policy-making process. The Ministry of the Economy and the Central Bank set the agenda and formulate and implement economic policy, although other institutions are relevant, such as the Planning and Budget Office, which determines state resource allocation and fiscal policy. The budget is approved by parliament over a five-year period. Tributary changes are made through law (such as changes in VAT rates or the tax basis) and submitted to parliamentary approval. Uruguay's investment law enables the executive (in this case the Minister of Economy in particular) to establish sectoral or general tax exemptions. The economic team comprised of the Ministry of Economy and Finance, the president of the Central Bank and the Planning and Budget Office formulates policy. In theory monetary policy is developed by the Central Bank but is effectively subordinated to the Ministry of Economy and Finance. The Economy Ministry teams are organised thematically (macroeconomics and finances with 5 economists; commercial policy with 10 economists; tax policy with 2 experts, law with ten jurists, and a second macroeconomic and finance consultancy with 6 economists)⁴⁷.

46. The Research Department of the IADB manages 7 networks. The Latin American Research Network, established in 1991, is one of the most important in terms of support for local cognitive institutions. It includes nearly 300 research institutes, and has proven to be an effective vehicle for financing quality research to enrich the public policy debate in Latin America and the Caribbean. More than 40 projects have been financed and 130 working papers published since its inception.

47. There are technical experts (type 3) that are not part of any consultancy. There is no exact information numbers, so the total is 33 people (excluding Type 3 technical experts). According to available data, there are between 33-43 economists devoted to policy oriented analysis, formulation and dissemination in Uruguay.

As in many other countries, the Central Bank plays a pivotal role. Its function is to formulate, apply and monitor monetary policy, it has a three-person directory of political appointees, and is governed by the Organic Code of the Central Bank, which does not ensure independence from political authorities. The Bank is one of the largest cognitive institutions on applied economic issues, having more than 130 full time employees, and several units dedicated to policy making. These are divided into departments, the most important of which are the Economic Policy Unit, and the Economic Investigation and Financial Institutions *Superintendence* (these units house about 35 economists, of which 12 have doctorates). By contrast, Parliament has very few permanent technical staff. Policy making is debated in thematic commissions and each political party has its own army of economic consultants that assist the parliament indirectly. The legislature is composed of a Lower House (of 99 members) and a Senate (33 members). In economic matters, Parliamentary committees, composed of parliamentarians, are created for specific subjects and report to the Senate and the House of Representation. Economic consultations follow a precise structure composed of experts nominated by the political parties.

Think tanks are another player, encompassing a wide range of cognitive institutions such as private consultancies, chambers of commerce and unions. They influence policy through publications and the specialised press, and many are political consultants and civil servants with intense trespassing from think tanks and academia to government and vice versa. The chambers of commerce and unions constitute important lobbies, some of which have economic teams and issue publications. The Uruguayan Chamber of Industries (CIU)⁴⁸, the CERES, CINVE and OIKOS are the most important (see Table 11). The CIU, a civil association financed by quotas from its member businesses, is sometimes used by the state to deal with issues in which the latter has less competence (the emission of certificates of origin for instance), and sometimes to work with IOs. It intervenes in policy as a pressure group (Industrialists Lobby), through the press and in-house publications, and provides services such as consultancy, training courses and to protect the specific interests of industry. CERES is among the most policy-oriented think tanks, a private non-profit economic research centre that specialises in economic analysis and public policy design. It participates in international, regional and local debate forums, and influences debate through the press, publications, by participating in high-level international seminars and organising public conferences. Although it is an independent centre, its Policy Director was offered the presidency of the Central Bank, a position that he declined. The Economic Investigation Center (CINVE), on the other hand, is associated to the CPA consultancy firm, and specialises in financial forecasts. Its professionals identify with the current government, and its current Director is in charge of the economic policy design at the Ministry of the Economy.

48. On business involvement in policy making more generally see Schneider (2005). There are several other private consultancies that participate in the economic policy debate. Most notable among them are Deloitte and Price Waterhouse Cooper, both with specialized economic analysis departments, providing services to businesses and publishing reports and articles in the media, and radio programs. Cuesta Duarte Institute is another cognitive institution, which is in charge of economic studies assessing the Worker's Central (PIT-CNT), unique in this setting. Its director was nominated Director of Health under the Tabaré government, and it publishes economic updates. Banks and financial institution lack local capacities, with the exception of BBVA. The other banks have external consultants and there are no other bank publications of this kind.

OIKOS, a small consultancy firm, also has direct ties with the government, and issues monthly publications and carries out business assessments. One of its members was recently appointed Director of the Planning and Budget Office. All these cognitive institutions participate actively in the policy-making process, be it directly through consultancy or advisory work or through individual moves into government, or indirectly through an active presence in the media.

The most important academic institutions are the Economic Institute, the ORT University and the University of Montevideo. The Economic Institute is dependent on the University of the Republic (UDELAR) and produces economic updates and research on all economic disciplines. Its Director was recently appointed President of the Central Bank. The ORT and Montevideo universities both have economic research departments and publish articles. Altogether, there are 65 economists devoted to policy-oriented analysis in Uruguay (a rough estimate but one that gives some idea of the size of this epistemic community), to which one can add another 70 if the Ministry of Finance and the Central Bank are also taken into account, bringing the total to about 150 persons. (This is comparable to Venezuela with a similar sized economic policy-making epistemic community). Banks and financial institutions are not included and the parliament lacks economic masts. Despite this lack of technical resources, the policy-making process in Uruguay is reasonably sound and stable, as the past decades have shown. Thus, a huge technical community may help but it is not a solution in itself; rather, it is *a particular 'alchemic' articulation within the epistemic community between experts and politicians* that makes the difference. The consensus-driven political culture that has characterised modern Uruguayan politics rather than the size of its epistemic community is central to explaining the quality of the policy-making output.

III. ECONOMIC POLICY MAKING IN EMERGING DEMOCRACIES

Mapping the cognitive capacities, strengths and weaknesses is therefore not sufficient in order to understand the way the game is played, i.e. the way policies are constructed, played and interplayed. Several strategies can be implemented in order to catch the alchemy of policy making.

Once we have the road-maps of national epistemic communities, one strategy would be to construct a multi-dimensional grid and situate various countries, policy domains and time periods within this comparative framework. One possible approach is to hypothesise that the quality of economic policies depends on the degree to which expert knowledge is institutionalised in the policy-making process. This depends on two main factors: first on the existence of a critical mass of knowledge produced by cognitive institutions that can also disseminate expert knowledge; and second, on the effective filtering of such knowledge through interaction between political and technical rationality. The notions of *veto players* and *policy players* prove useful here. The taxonomy of national policy-making environments can be formalised as four combinations of two variables: the number of potential veto players and the number of policy players. Veto players are defined as actors and institutions whose consent is critical for any change in the *implementation* of reforms and policies⁴⁹. Policy players are defined as actors and institutions that have significant influence over agenda and policy *formulation* and over the actors and institutions involved in the policy-making process. Neither of the two dimensions is dichotomous but rather they operate along a continuum. There may be only a few, many or no veto and policy players alike. When there are none or only a few veto players and policy players the environment is likely to be *insulated and decisive*; when the number of veto players expands the environment is *hyper-presidential*. Policy making is thus shaped by the weight of key veto players and outcomes depend heavily on agreement among them. Another combination is multiple veto and policy players, which produces a *resolute and potentially stalemate* environment. Finally, when there are only a few or no veto players but various policy players, the likely result is a *muddling through*⁵⁰, whereby economic policy evolves circuitously, and the environment is replete with “incentives for inter-temporal cooperation”⁵¹. The Brazilian environment typically belongs in this category⁵².

49. See Tsebelis (1995).

50. Charles Lindblom (1959).

51. Pablo Spiller *et al*, *op. cit.*

52. See Armijo and Faucher (2003); Armijo *et al.* (2004); Armijo (2004).

Another way is to contrast strongly and weakly institutionalised structures of expertise – ranging from Haiti at one extreme and say Chile at the other. Another might be to account for the availability of human and professional resources in the society as a whole, from which these structures might be constructed. This would not necessarily replicate the first dimension, in that some societies may make very good institutional use of quite scarce human resources (like Barbados, perhaps), whereas others may have strong university and professional potentialities that are not so effectively organised (Jamaica, for example). Another dimension could consist of those countries where the coverage of expertise was extremely uneven – either geographically or in terms of policy areas (Brazil, both regionally and as concerns health policy on the positive side, or at the opposite end of the spectrum the issue of restorative justice as an example of gross deficiency), as opposed to those countries where similar standards of expertise and policy competence were maintained across most regions and issue areas (Uruguay, for example). Another cross cutting dimension could be to distinguish between cases of long-term progress in a cumulatively positive direction (what Lourdes Sola has classified as ‘state-crafting’ in Brazil since the early 1990s) and cases of fitful advances, or even of progress followed by worse setbacks, such as Venezuela or most of the Andean republics since the mid 1990s. Obviously there is also a continuum between the more inward looking and state-centred variants of professional organisation and accreditation, and those which derive their standards from an external source, or from an international community of like-minded professionals (the Cuban experience would be at one extreme and at the other would be the network of privatisation specialists who, in the 1990s at least, rotated between the international financial institutions (IFI), international banks, some strongly pro-market sectors of government and academia in the Anglo-Saxon world, and their own countries of origin. In addition, of course, we would need to distinguish between the more democratic (open, pluralist, and accountable) epistemic communities, and the more closed, insulated, and unaccountable variants (which might be referred to as technocratic variants of expertise).

We would also need more knowledge on specific reform and policy-making processes and the involvement of technocratic knowledge. A recent paper by Sebastián Edwards offers interesting views on the role of foreign advisors in economic stabilisation programmes⁵³. He focused on Chile’s experience with anti-inflationary policies during the period 1955-1958 when the government implemented a stabilisation package with the advice of a US based consulting firm, Klein-Saks. However, after an initial success the programme failed to achieve durable price stability. The technocratic Mission managed to give an initial credibility to the stabilisation programme launched in 1955, providing a pre-commitment technology and a type of expertise unavailable in the country but also acting as an umpire and a mediator in a period of acute political polarisation. However, the case study also underlines that this foreign technical expertise failed to be transformed by the political system into a durable policy. Edwards underlines that the Congress in particular failed to act in a decisive way on the fiscal front and this lack of enforcement led to the failure of the stabilisation programme.

One decisive area of policy making and technocratic involvement in Latin America is that related to budget institutions and fiscal reforms. Parliaments’ role in the governance of the

53. See Edwards (2005).

budget is pivotal. However, in most emerging countries they tend to lack both the technical capacity and the political incentives to assume a responsible role in public finances (for a detailed analysis see Santiso, C., 2005a; and Santiso, C., 2005b). Internal institutional constraints also abound as a lack of technical advisory capacity. Budget and public accounts committees for example are assigned only a limited number of permanent technical advisers. Chile, Colombia and Mexico stand out, with over five permanent advisers but in all other countries they are under-staffed. This is not, however, an unusual situation (70 per cent of the legislatures surveyed by the OECD and the World Bank do not possess specialised budget offices), underlining that policy-making successes or failures are more complex issues, beyond game numbers. True technical input in the budget review process tends to lack the technical substance required for impartial evaluation because of this absence of tenure-track expertise within most Latin American parliaments. But the difference in budget quality goes beyond this.

More research will be needed to compare the quality of the budget policy-making process in countries that possess such legislative budget institutions like Mexico, Chile or Brazil with others that lack this research and technical capacity. In Brazil the Congress' Joint Committee on Plans, Public Budgets, and Auditing is assisted by a technical tenure staff of about 35 professionals. In Chile an embryonic budget office was also established in 2003, with a professional staff of three analysts while in Mexico parliamentary capacities have been enhanced with the creation in 1998 of a Centre for the Study of Public Finances (*Centro de Estudios en Finanzas Públicas*, CEFP) in the lower chamber of the parliament. However we should know more not only on the differences between budget and fiscal performance in these countries and others but also make comparisons within each country before and after the establishment of such cognitive fiscal institutions in the Congress. More generally the sole institutional legislative capacity is not the only variable that matters in explaining such fiscal and budget performance. The formal and informal rules shaping executive and legislative relations, the presidential nature of the political system, the strength and involvement of external auditing institutions, institutional incentives, etc. also play a pivotal role (Santiso, C., 2005a; and Santiso, C., 2005b).

A major change in the economic policy landscape in Latin America has been the emergence of a technocratic consensus advocated by a specific epistemic community that is defending greater fiscal prudence and discipline (this is the epistemic community we have been partly focusing on, the neo-liberal technocrats), through a process of gradual learning partially influenced by the United States, from Kemmerer money doctors to Pinochet's Chicago Boys and later to the Cieplan's Boys. However, this greater influence of economic technocrats has not been uniform across Latin America and has not necessarily been conducive to better economic outcomes. More research would be needed on this issue. What guarantees that a greater insulation of economic policy would necessarily be invested in improving fiscal outcomes, rather than in capturing rents?

Another issue is related to transparency and asymmetric information. Fiscal knowledge tends to be generated within the state (or close to it) and, as a result, there exists a certain degree of monopoly over fiscal information by insiders. There is a wide information gap between the state (broadly defined) and society, especially as pertains to fiscal information. However, in recent years, efforts have been deployed, including by the so-called neo-liberal technopols, to

make fiscal information more transparent (as transparency is now widely believed to be critical for fiscal discipline and is accepted, one example being the IMF codes and standards on fiscal transparency). Latin America has innovated in this field since the late 1990s, with the adoption of fiscal transparency legislation, often linked to fiscal discipline legislation, (see table 12 on the institutionalisation of budgetary systems in the region) and including the creation of innovative state agencies tasked with enforcing transparency of and access to public information (beyond the role of ombudspersons offices), for example the *Instituto Federal de Acceso a la Información Pública* (IFAI) in Mexico.

There has also been more activism within civil society for promoting greater transparency of fiscal governance and oversight of government performance. External oversight by civil society has grown exponentially in the region in recent years, giving rise to cognitive communities of a neo-liberal breed with social convictions outside the purview of the state, and which are specifically aimed at overseeing government from the outside. Indeed, several of the think tanks would classify as such, such as CIPPEC in Argentina (www.cippec.org), Fundar in Mexico (www.fundar.org.mx) or CAD in Peru (www.ciudadanosaldia.org), civil society think tanks specialising in fiscal and budgetary matters, with increasing international connections such as the International Budget Project (www.internationalbudget.org).

Last but not least, we will need to accumulate more knowledge on specific policy-making processes, focusing not only on environments or numbers but rather on issues and policies. A good example would be the pension reform process, one of the most successful reform processes “invented” in Latin America, namely in Chile. Pension reforms have not only been among the most important reforms carried out by Latin American countries but also constituted an innovative policy-making output pioneering an international trend. “Invented” in Chile, in 1981, this reform spread all around Latin America and to many other regions of the world. There is extensive literature evaluating the impacts, trends and issues related to pension reforms. The most commonly recognised as a successful reform and the oldest one in Latin America is the Chilean system. Since its implementation, the system has been improved and adjusted while the total assets under management top a regional record of more than \$61 billion. In 2005 it is facing once again an intensive debate and important reform process.

One of the pivotal actors in this policy-making process and a key element in understanding this relative success story in terms of policy making, has been the regulatory agency, the *Superintendencia de Administradores de Fondos de Pensiones* (SAFP). The institution, created and developed with the private pension fund system, is nowadays recognised as one of the major cognitive institutions in its field in Latin America. Since 2003, the institution has experienced several changes and adjustments. In 2005 it had a total of 147 permanent staff and an annual budget of \$6.5 million. Since 2003, a large portion of these resources is devoted to the newly created and developed research department, the *División de Estudios*. This unit is considered as strategic and acts as a provider of data, analysis and ideas related to the pension system. Regarding the issue of reforming the system, this technical capacity - without comparison in Latin America as other regulatory agencies lack this technical unit - plays a pivotal role and the institution acts as an institutional mast boosting the technical dimension of the political debate on the reform of the system. The division has in total 9 economists (3 of them

hold PhDs and four others MBAs or Masters degrees in economics). It provides the necessary output to the Superintendente and helps to interact with other actors involved in the policy-making process. According to the SAFP, a total of more than 8 per cent of this budget is dedicated to research.

Most of the research output is provided online, the studies and working papers being released for the first time in March 2005. The dissemination of knowledge on pensions is considered as a central function of the agency. The *Superintendencia* is in fact the official and authorised channel of communication on pension issues. It diffuses ideas, data and analysis to the media, most of these outputs being publicly available online. Relations with the media are coordinated by the *Jefe de Gabinete*. Each Division or Unit Chief operates as technical *vocero* (voice) but the major role of communication is devoted to the *Superintendente*. On around the 10th of each month, the data on pension returns is released to the media through an e-mail list of nearly 80 journalists. Another product that is regularly available (every four months) is the statistics on the system, *Ahorro Previsional Voluntario*, jointly released with other financial regulatory agencies, mainly the *Superintendencias de Bancos y de Valores y Seguros*. The SAFP also organises public conferences, some directly targeting the media (in 2004 four press conferences were organised on the following issues: *Promulgación de la Ley de Rentas Vitalicias*; *Nueva cartola de información al afiliado*; *Listado Público de Pensionables and Evolución del Funcionamiento del SCOMP*) and seminars open to the press, the academia, etc. (in 2004 five were organised, one of them in collaboration with the Chilean think-tank *Centro de Estudios Públicos*). The informal contacts with journalists are however much more important, with around five informal interviews each week on average. All this process of diffusion towards the media has been recognised as a very useful tool for boosting the quality of the debate and the level of knowledge on pension issues. In 2004, a survey carried out by the Universidad Diego Portales on the quality of access to information ranked the SAFP among the top 10 of the 34 institutions considered for the study.

The attempts at reform are also watched constantly by financial analysts pending the attempts to modify the investment restrictions imposed on local stocks ownership or the possibility to increase the ownership limit on foreign securities to 30 per cent⁵⁴. Banks and pensions funds not only act and react to attempts at modification of regulations but also proactively participate in the formulation and sharing of proposals, publicly through international conferences or directly in their constant interactions with local authorities. BBVA, for example, a major operator of pension funds in Latin America, elaborated several specific studies and proposals on pension issues and pension reforms in Latin America and in Chile in particular⁵⁵. But the SAFP does not only act as a provider of information towards the affiliates of the system, the press or the financial community, contributing by this activity to the quality of the general debate and knowledge on pension issues in the country and abroad. It is also, and above all, a major actor in terms of agenda setting and proposals. It interacts continuously with the Executive and Legislative branches of power. The interactions with the Labour Minister and the Finance Minister are particularly intense, and are both formal and informal.

54. See, for example, Merrill Lynch (2005).

55. See Latinwatch.

However not all the success of this policy-making reform is due to this unique institution. The key is probably elsewhere: in the cognitive policy-making style that has been developed in Chile throughout the past decades, precisely in the equilibrium reached between technical and political rationalities. If we get recent decades into perspective, what really stands out are the profound transformations which give rise to a “bias for hope” as Albert Hirschman would say, rather than “fracasomanía” (failure syndrome). What most draws our attention is that, for the last quarter of a century, Chile has been searching for ways to grow through pragmatic economic policies. It has been inventing and creating institutional masts, looking for monetary and fiscal anchors, and more importantly it has been doing all of this outside the predetermined paths of any rigid ideological model. The reform of pension funds is the perfect illustration of this pragmatic search which combines both invention and gradualism, market mechanisms and state presence. These reforms, which date from the early eighties, combined privatisation and regulation. Funds produced high yields and tried to compensate for the low savings rates in the economies of the region, as well as addressing the informalities of the job markets. The Chilean example is, from this point of view, exemplary (and perhaps unique), where the privatisation of pension funds remained within the framework of a jewel of regulation of top quality institutional craftsmanship. Year after year, the system was modified and adjusted in order to improve it. Today, the Chilean regulatory body, the *Superintendencia*, is one of the most credible, technically prestigious and highly esteemed institutions in the country, making it a strong institutional mast.

This reform, above all, symbolises the profound change that Chile has undergone over recent decades: the invention of a pragmatic and gradual political economy in contrast to the years of tidal wave (and dizzy) ideologies. Behind this transformation, cognitive masts play a leading role in counter-balancing political and technical rationalities. In the seventies, social and liberal revolutions occurred which were built up and thrown against countries, in both cases searching to implement rigid paradigms invented in other hemispheres. The Good Liberal was nothing more than another side to the Good Revolutionary, both of them coinciding in their search for impossible economic policies. In the eighties and especially in the nineties, economic pragmatism prevailed. With the return to democracy, there could have been a temptation to create yet another model and break with the previous regime. This was not the case however, and Chilean democrats decided to carry on with the reforms already underway and tried to combine monetary and fiscal orthodoxy with social reforms and balanced growth. This continuity is clearly reflected in the behaviour of assets under management in the pension fund system: after 1989, the year democracy returned, assets shot up and not only were reforms not abandoned but on the contrary, they were intensified, adopted and adapted.

To put it another way, the great lesson to be learned from Chile is this extraordinary combination of pragmatism and continuity, the emergence of possibilism, a new style of political economy. This is a combination which other countries such as Mexico and Brazil especially, seek to share (Santiso, J. 2005 and 2006). In Mexico, pragmatism shone through in the mid-1990s with the signing of a free trade agreement with the United States. For the first time in history, a country from the South signed a free trade accord with a country from the North. Hooking up with an economic powerhouse and the leading democracy was a key undertaking for Mexico. In the same way as Spain with the European Union, the process was to allow the economy to benefit from an anchor of external credibility. In 2000, the country successfully underwent a

change of government without an economic crisis; an unheard of event prior to then, with the cycle of political change every six years previously being accompanied by financial turbulence. Throughout the past decade, Mexico also achieved what no other country in the region had managed to do until then: it lifted the spell cast by the political cycle.

The country now relies on a wide range of institutional stabilisers or cognitive masts. In the economic area, the independence of the Central Bank of Mexico is reflected not only in orthodox monetary policy but also in the decoupling of the institution from the political cycle: the mandate of the Governor does not coincide with that of the President. Whoever the next President is who emerges from elections in 2006, the Governor will remain in office until 2009. In the political field, the creation of the Federal Election Institute (IFE) constitutes another institutional innovation that allows the independent supervision of democratic elections in the country, consolidating the democratic dream of Madero. After the achievement of investment grade status, as well as the macroeconomic variables, the reduction in foreign debt and inflation, and fiscal balance and a flexible exchange rate regime, there are now these institutional stanchions in the shape of the Central Bank and the IFE.

Likewise, in Brazil, the latest governments have instigated significant pragmatic changes. The most spectacular without a doubt has been carried out by the current government of Lula. The financial markets were wary of his arrival in power in 2002. However, he surprised them with his commitment to fiscal discipline and monetary orthodoxy. In 2004, Lula managed to make the country grow. The reform drive was vigorous; a number of important tax, pension and banking reforms survived trial by fire in parliament. As regards social programmes and the infrastructure investment drive, although these received criticism, they underscored the government's commitment to more equitable growth, not only more efficient but also more distributive. The combination of fiscal and monetary orthodoxy alongside social policies not only drew the attention of the financial markets and foreign investors, but also politicians throughout Latin America, particularly left-wing leaders. There is a high probability that Lula will be re-elected in 2006. This could bring about a process of positive political contagion in the whole of the continent: the spread of pragmatic economic policies; continuity and gradual policies of the possible. In a continent that has been tossed about by so many changes on an ideological tack, this would undoubtedly be great news.

History is, however, a never-ending story. As noted elsewhere, Latin America has been a region oriented towards 'modernity', often conceived in terms of catching-up with, or importation of, the latest models of organisation approved in the reputedly 'most advanced' regions of the outside world, and it is also characterised by the unevenness and incompleteness with which successive models of this are assimilated. The incomplete and unequal evolution of Chile, Brazil and Mexico described above is probably still more the exception than the rule. In nearly all other countries the combination of these two features, importation of models and lack of assimilation, leads to a characteristic pattern of reforms promoted 'from above and without' followed by various locally understood responses that may be summed up as defensive absorption and deflection. The typical modernising initiative is thereby stabilised and internalised, but in a form that differs markedly from the promises and expectations of the first phase, and by the time this has occurred, the latest external models of good practice have usually

evolved with the result that new programmes of modernisation from above and without are brought forward to remedy the dissatisfactions arising from the previous cycle. In consequence, Latin America is unique in that its social landscape is littered with the results of successive drives for 'modernity', each of which crystallised a tangible and substantive result before being supplanted or cast adrift. Thus, the 'modernities' in question are always multiple and fragmentary: they never achieve total ascendancy in the collective imagination and they always jostle against one another. What distinguishes the Latin American case is precisely this instability, this contestedness, this continuous cross-pressuring arising from the perceived gap between really existing conditions, and the various standards of modernity by which they are constantly judged and found wanting. Whether or not the outside world is actually 'modern' in the sense evoked here, what matters is that it is perceived as validating one or another pattern of modern ideas or practices that Latin American innovators therefore seek to make their own. To be effective in the region, any reform project needs this kind of external validation, given the weakness of 'tradition' as a source of justification.

Thus, the region has been submitted to successive waves of 'interrupted cycles' of modernisation, each followed by an analytically distinct successor before the first cycle can be completed. Since the end of the Cold War there have no longer been such sharply antagonistic alternative models of 'modernity' to choose between. The professions intermediating liberal internationalism are now much more broadly based and solidly implanted; and perhaps (if the claims of the democratisation literature have any substance) the gap between official discourse and popular consciousness is in the process of being narrowed. Based on these arguments one might conclude that Latin America is at last entering fully into the western mainstream of modernity, and that the sequence of incomplete and uneven 'waves' proposed in section two has been relegated to history. It would be obtuse to underestimate the significance of the huge shift towards a more standard version of liberal economics and politics that took place across almost all of Latin America in the 1990s. In broad terms, the sub-continent embraced market-oriented democracy as never before, and the scope of the resulting change in model is such that there is now very little possibility of a wholesale reversion. This remains true despite the mounting evidence of various forms of resistance and disenchantment, including the Argentine default of 2001 and the 'Bolivarian' movement in Venezuela.

While there are currently multiple manifestations of opposition and rejection directed against the most recent wave of reforms 'from above and without', what they demonstrate is lack of consensus rather than the crystallisation of an alternative project. In this context, the multilateral institutions that intervene most directly and profoundly in the economic policy-making process in Latin America must, as constituent members of the regional economic epistemic community, address the issues of policy outcomes and democratic legitimacy.

CONCLUSIONS

The case for an irreversible shift in political elite training and recruitment rests on the assumptions that: first, the foundational debates of the Cold War era have been durably resolved; second, the fragile democracies of the region are, if not en route to consolidation, at least reasonably secure from breakdown; and third, the internationally-oriented new economic model is here to stay. If these assumptions are valid, the remaining vestiges of the old generalist and doctrinal politics may well fade away with the passing of time, and a more educated, articulate and cohesive civil society may perhaps demand progressively more competence and effective service delivery from their political and bureaucratic leaders.

First, insofar as there has been an 'eclipse' of foundational politics in contemporary Latin America, this astronomical occurrence has been decidedly partial, rather than total. There is still at least one unattained utopia to struggle for – the vision of a fully consolidated democratic market economy founded on the rule of law and compatible with elementary social justice. Were this to be attained in Latin America to, say, the same extent as it has been in Western Europe, then politics could be reduced to just the 'technical' or expert business of keeping the established order in trim. This is so far from being attained in all the countries of the region at present, however, that much more than mere administrative or technical competence is required to bring it about. Admittedly, at least for the time being, alternative foundational projects are conspicuous by their absence. As a result even 'doctrinal' intellectuals mostly concentrate on propounding competing interpretations of the same basic vision.

Second, the conflict between those competing interpretations can still be highly unsettling, though, and the failings of 'really existing' liberal capitalism, while perhaps less acute than those of 'really existing' socialism a decade ago, are sufficiently serious to raise doubts about whether 'the end of history' really has dawned even in the advanced market societies. Insofar as this is the case, the rebirth of alternative Latin American utopias cannot be entirely discounted for the indefinite future. 'Foundational' politics may be dormant but they are not yet dead. The continued prominence in public life of many who made their careers through their identification with alternative utopias – from Fidel Castro to Augusto Pinochet, and from Cuauhtémoc Cárdenas to Hugo Chávez and Evo Morales – reinforces the hunch that such disputes could still be reawakened. As these examples indicate, it is still possible to achieve transformative effects in the Latin American region by the pursuit of 'grand' general visions. Thus, at least in this region, rationality (meaning the deployment of means appropriate for a chosen end) can still be foundational, and not merely technical.

Third, so far the strongest argument for ‘irreversibility’ has been the inability of critics of the emerging political-economic model to formulate a coherent and workable alternative, or to demonstrate any success outside the liberal market framework. That seems likely to remain the most formidable obstacle to the resurrection of foundational disputes in Latin American politics, but it is not completely decisive. Continued social exclusion, gross inequality and personal insecurity may provide a large social base for alternative visions, even if political leaders are incapable of articulating programmes for that constituency. The rise of evangelical Protestantism seems partly to reflect such unsatisfied aspirations, as do the emergence of ‘historically displaced’ nationalist populist projects and some currents of indigenous political organisation. Sometime, somewhere a half-plausible alternative model may always present itself. In any case we should guard against too stark a dichotomy between the ‘doctrinal’ politics of the past and the ‘professional’ politics of the present and future. The reality was, is, and seems likely to remain, substantially hybrid.

That is not to say that nothing is changing, but only that we should concern ourselves more with questions of balance and proportion than binary oppositions. The point can be illustrated by an anecdote by Raúl Prebisch about his experiences in the military government of General Justo in the early 1930s. He came to the conclusion that, as a result of the Depression, it was necessary for Argentina to introduce a most unpopular new measure – an income tax. But how could he explain to the ignorant conservative President that he must adopt an innovation so contrary to the preferences of all his friends at the Jockey Club? No technical presentation, no rehearsal of the figures, no review of international experiences would do the trick. What Prebisch had to do was present himself to the General as the most impeccable servant of the established order, and to persuade him that it was a patriotic duty to demand sacrifice from the public just as an officer expects discipline and abnegation from his soldiers in times of armed conflict. It may be wondered whether discussions on economic policy between Cavallo and Menem were any more technically demanding than those between Prebisch and Justo in 1933.

The broader point illustrated by this story is that complex policy reforms require both a good measure of economic technical competence and authoritative political endorsement. Sometimes the two may be combined within a single personality (Prebisch’s authority as a technical expert was fused with his charisma as a prophet of social transformation, and from the earliest years he combined vision with technical know-how⁵⁶); sometimes they may be harmonised within a strong bureaucratic and technical administration (the *Gabinete Económico* in Mexico in the 1980s and the 1990s⁵⁷); or they may be reconciled through an informed process of parliamentary debate and inter-party elite negotiation (as in Chile under the *Concertación*). But it is not unusual for those with the necessary political authority to lack the appropriate technical competence. There are all sorts of hybrid combinations, and even the experience of the most advanced liberal capitalist democracies provides us with little reason to doubt that this mix will continue to operate in the future. Sometimes the two work well for a while (President Fujimori and his economy minister, Carlos Boloña, or President Salinas and his economic dream team led

56. See Hodara (1987); Sikkink (1988).

57. See José Ramón López Portillo, Oxford D.Phil, op. cit. and Sarah Babb, op. cit.

by Pedro Aspe); sometimes they break down (President Caldera and the Venezuelan technocrats); and sometimes the appearance of collaboration proves deceptive (as in the case of President Sarney and the Cruzado plan).

Undoubtedly the secular processes emphasised in modernisation theory are genuine and powerful. Overall levels of education are rising fast, and more or less 'middle class' lifestyles and values are on the increase. Dense and overlapping networks of specialised competence and expertise continue to develop, informing public policy and constraining some forms of misgovernment. But these are merely loose tendency statements, leaving plenty of scope for the perpetuation of inherited authoritarian policy styles. Despite the many structural changes associated with the end of the Cold War, the transition to democracy, the liberalisation of the economy, and the increased leverage of the business community, there is really no conclusive evidence that hybrid, potentially unstable, and erratic patterns of policy making have been eliminated from contemporary Latin America. How can there be any 'irreversible' triumph of the technocrats, or even of expertise more broadly understood, as long as many traditional patterns of policy making continue to persist? The evidence that has accumulated since the collapse of Domingo Cavallo's reckless 'convertibility' project in Argentina in 2001 points to the huge backlash that can build up against such pretensions.

To sum up, then, 'technocrats' derive their authority from their claimed mastery of certain specialised areas of knowledge that are deemed essential for effective government. If a central problem facing a society is the threat of yellow fever, then those who know best how the disease propagates and how it can be combated may have an irresistible claim to the public resources required for its defeat⁵⁸. If the central problem becomes the threat of hyper-inflation a similar logic may empower those economic experts who alone know how to restore monetary stability. But there are two very striking limitations to the power that can be obtained by such means, even in the most extreme of circumstances. The first is that once the 'emergency' has passed, other sources of concern will return to the centre of public debate, and there is no reason to suppose that the expert in disease control will also possess the specialised skills required to tackle non-medical dilemmas. Similarly, there is no good reason to suppose that the expert in monetary stabilisation will possess the skills required to combat, say, the reappearance of cholera. Particular types of expert may therefore enjoy brief periods of concentrated power, but if they live up to their promises they will thereby undermine the conditions for their pre-eminence. Either they may prove false experts and lose power altogether, or true experts who, having overcome one policy emergency, retreat from centre stage to occupy a no doubt honourable and durable, but also a secondary, role in public life. True expertise becomes professionalised, institutionalised, and even depoliticised, as a society moves from national emergency to routine administration. As Kathryn Sikkink has persuasively argued in relation to the ideology of 'developmentalism', unless such ideas acquire institutional embodiment they will lack the staging power and detailed follow-through required to shape public policy over the longer run⁵⁸. Yet if they *do* become institutionalised they also become subject to broader processes of political bargaining and analytical dilution.

58. See Sikkink (1991).

This relates to the second limitation. When technical expertise proves scarce, valuable, and a source of empowerment these rewards will attract an influx of new entrants. Scarce knowledge is therefore likely to become diffused throughout the society, the early technocrats will find themselves held increasingly accountable to a more informed community of peers, and the opportunity to make further breakthroughs on the basis of privileged expertise can be expected to decline. Broader and more 'generalist' forms of policy discussion will therefore reassert themselves. Post-Cold War Latin America manifests a range of characteristics that might be expected to reinforce the authority of political generalists and to curb the arrogance of unaccountable experts. Contemporary features favourable to the influence of generalists might include: the reassertion of constitutional rule; international *détente* and regional co-operation; the failure and discredit of various forms of authoritarian social engineering; advances in education and science advance diffused through an increasingly assertive and rising stratum of young professionals. All of this is reinforced by a high degree of media freedom as compared to the past. These are surely conditions that ought to favour the emergence of a stratum of political brokers and entrepreneurs capable of assimilating expertise without surrendering to its dictates. Their communication and persuasive skills will be needed to synthesise and popularise the valid insights of the experts. To some extent, the new cohort of technocrats and economic experts have also learnt some of the skills of mass communication, and there is often a competition between them and the more traditional intelligentsia over who can dominate the airwaves, but neither have a monopoly and the battle could prove salutary for both. The overall quality of public policy making may therefore rise as hitherto esoteric forms of expertise become incorporated into the collective understanding of the whole community.

In any real political process we can expect to find dispute over the validity and extent of claims to superior expertise. Inexpert politicians will have to make judgments about who to believe and therefore how much authority to delegate. Often such judgments may remain contested even with the benefit of hindsight. Here is a further reason why an apparent 'triumph of the technocrats' may so often prove ephemeral. Thus, for example, even with all the reinforcement they can now muster from Latin America's reinvigorated business class, today's technicians still seem engaged in an endless campaign against an array of critics who may shift their ground but never seem to disappear. These critics can never be eliminated, in part because insulated technocrats characteristically over-reach themselves, but more fundamentally because the viewpoints and interests that the critics represent extend far beyond the reach of any form of bureaucratic rationality. Further, and above all, because they have failed to produce the results everyone desires – wealth and greater distribution and sustainability of the economic model.

This brings us to our final point, which is the role of judgment (expert and broad-based) in the guidance of policy choices in light of the categories of 'technocracy' and 'democratic expertise', on the one hand, and rules versus discretion, on the other. Technocrat has become something of a term of condemnation in a number of the new democracies in our region. In some cases this language is used to disqualify the advice of professionals and qualified experts more generally. If our project is to be objective this term will have to be handled with great care. Although there is the growing literature on 'technopols' to draw on, it will be essential to reach agreement in advance about the scope and boundaries of these terms. One aspect of our mapping exercise may be to record how usage differs between countries and issue domains, and

over time. Here, the doctoral dissertation by Jeffrey Kishor Kulkarni may be helpful. He is concerned with only one policy domain – monetary policy in advanced democracies – but his observations about the tension between technocratic expertise and democratic legitimisation can probably be generalised: “democratic legitimacy does not demand that all groups be represented in the policy-making process; instead, it demands only that representatives retain the capacity to properly evaluate policy *output* [...] In conventional democratic arrangements, contenders challenge incumbents by contrasting actual performance against counter-factual outcomes, as well as by making (unenforceable) promises about future policy making. Though this process does not necessarily improve policy quality, it does facilitate the exogenous evaluation of incumbents. [But] this dynamic is absent from central bank independence since the selection of officers is not subject to adversarial competition. Indeed, technocracy is explicitly designed to eliminate such competition so as to improve policy output.” Moreover, at least in the case of central banking, he also argues that technocratic language has the effect of constraining critical discourse and democratic debate about the distributive and other counterfactual alternatives to the ‘de-politicised’ choices of the empowered experts⁵⁹.

This provides the analyst with two empirically observable criteria for determining whether or not to classify an arena of policy making as technocratic. Do the professionals in question face adversarial competition on assuming public office, and are they subject to effective retrospective evaluation by elected representatives when they have discharged their duties? There is, of course, room for debate about how often their performance should be evaluated, and in what form. There is also a more subjective question, namely whether the democratic monitoring performance permits an informed judgment about possible alternative policy stances. This is where such broader considerations as the availability of independent expertise to assist the elected representatives in their monitoring work (such as congressional research services), the quality of press and media oversight, and the extent to which expert incumbents of public positions are supervised and held to account by their professional bodies-and in the last instance by the courts, as well. Clearly, then, there is not a single clear-cut dichotomy between technocrats and democratic experts. But perhaps this discussion helps to identify the objective and comparative yardsticks that can be deployed to place particular cases within our proposed grid.

A second aspect of the tension between expertise and democratic legitimisation is that it has become fashionable in public choice theory to view it as at least partially a contrast between the observance of pre-established rules (designed by experts before considering any particular set of circumstances) and political discretion (viewed negatively as subjective, liable to manipulation, and, indeed, as almost inherently arbitrary). But this is not a perspective on most policy choices in democratic Latin America that will generate much discrimination between the contrasting cases in our grid, nor is it a standpoint that will commend itself to the recently enfranchised mass electorates in most of these countries. A supposedly automatic and inaccessible institution such as the European Central Bank may be sustainable in Frankfurt, but there are very few institutions in Latin America or the Caribbean that command this degree of sacralised immunity from political pressure. Citizens who have only recently acquired a democratic outlet for their political preferences after long experience of authoritarian rule are

59. See Kishor Kulkarni (2005).

usually loath to accept such claims to put policy 'off limits' to political control, especially when the technocratic agents in question lack a convincing track record of effective and disinterested service to the public good. There may be a few scattered exceptions to this generalisation – the *Controlaría* and *Superintendencia* in Chile or the Chilean Central Bank perhaps, but almost all the institutions and policy domains we might study lie on the other side of the insulated-politicised divide. And the distinctions of greater practical importance in our region are between those somewhat politically answerable institutions that are able to preserve a good degree of coherence, expertise, effectiveness and democratic legitimacy, and the many others that fall short by one or more of these criteria.

Fortunately we do not need to adopt this stark public choice dichotomy when analysing the democratic politics of expertise in contemporary Latin America and the Caribbean. At the theoretical level it postulates an unbridgeable divide between rules and discretion. At least in our region, however, all rules are provisional and subject to periodic critique and revision (think how frequently Latin America's constitutions are amended, disregarded, or overturned, in contrast to the US constitution, or that of post-1949 Germany). The Latin American experience highlights a truth that is in fact more general, and even applies to the most highly institutionalised of old democracies – although it may be harder to perceive in the latter. Both rules and discretion require judgment: there is no such thing as automatic policy making according to purely technical criteria. Even the ECB has to address such questions as whether their rule applies to a particular case, the precise meaning of the rule (which Euro-zone price index is it they must target, for instance). More typically specialised policy-making institutions also have to make judgments about the trade-offs between competing objectives, the limits of their mandates, the timescale within which they must operate, and indeed quite often whether the rules they have set are always internally consistent, and how to respond when standard policy steps precipitate unintended consequences. Equally well, decisions that are not rule governed also require a high degree of judgment, and may depend heavily on expert sources of advice.

Most of the policies introduced and implemented by any modern state are highly complex and require a great deal of advance planning, sophisticated design, and skilful negotiation with a wide range of social partners. As such policies are implemented, governments need to evaluate feedback, monitor compliance, adjust timescales, budgets, and communication strategies, and compensate unexpected losers. In other words, generalised arbitrariness or irrationality is not a frequent characteristic of discretionary policy making. It would be too costly and self-defeating. Whether operating within tightly prescribed rules or under a more broadly permissive discretionality, most acts of government demand a constant input of informed judgment from the relevant policy makers, and if these are generalists they will need the advice and support of a wide array of professionals and specialised experts. Whether applying rules or discretion, decision makers will normally have to engage in serious and sustained exercises of collective deliberation. Have we taken into account all the relevant evidence? Do models or rules of thumb adequately reflect the realities they engage with? Are we the prisoners of some defunct theory or ideology? If we are making predictive judgments, how much margin of error can we allow before reconsidering?

These are all questions about which various categories of professional and expert adviser may have something useful to contribute. But for the most part they are not questions that elected governments can safely delegate to the full and sole discretion of the relevant experts. Just as it would be unwise to invite the military to take full control of decisions concerning war and peace, or the security forces to exercise unfettered discretion over the maintenance of public order, so is the democratic supervision of expertise advisable in almost all policy domains. Of course that imposes heavy responsibilities on elected governments, and they may well fail to meet such challenges adequately. Experts are likely to believe that they usually know better, and depending on how well or badly the available expertise is used it is perfectly possible that policy effectiveness could be improved by consulting them more fully. But there should be no blanket presumption that political discretionality necessarily leads to worse policy decisions than would be produced by the experts acting alone. Indeed our survey of comparative alternatives should be on the lookout for examples to illustrate the range of possibilities here. Where demonstrably bad policy outcomes were delivered, it will be important to assess which alternative deliberative arrangements would have encouraged sounder judgments.

In any case, democratic policy making is only partially about arriving at the optimum policy choice. A successful policy must not only rest on sound diagnosis and competent design and implementation. It also requires political and social acceptance. In Latin America, at least, most decisions are taken in conditions of fairly high uncertainty and expert analysis of their consequences is often subject to a high margin of error. Whether or not a given decision pans out as hoped for the public will have to live with the results. The democratic process can be designed to give due weight to the advice of suitably trained experts, embedded in cognitive institutions such as those mentioned in our paper, but it also needs to be communicated to a broader society, and it needs to be legitimised. Democratic procedures are not just about maximising policy effectiveness. They are also about winning consent, diffusing responsibility, and keeping open the avenues for feedback from those affected.

Democracy is also an error correcting mechanism. For all these reasons 'good governance' needs to include subjecting experts to political oversight and in the last instance control. Strengthening governability in a currently troubled Latin America will require long term processes of state crafting and the building of more democratic epistemic communities to support policy making. One small step in this direction would be to begin mapping the patchy state capacities currently in place, and to start investigating the consequences of these distributions. In due course this might open the way to building a democratic consensus on how to strengthen the role of expertise in policy making, while simultaneously reinforcing their democratic accountability.

Epistemic communities may be democratic, or at the least they may be structured so that they can operate under democratic constraints. Ideally they may even help, support and guide processes of democratisation. But Peter Haas's definition contains no reference to this possibility. It is equally possible for an authoritarian regime to encourage "professionals with recognised expertise [...] and an authoritative claim to policy relevant knowledge" in a particular domain or issue area. Some agencies in Brazil's *Estado Novo*, Pinochet's 'Chicago Boys', and some of the PRI's policy-making networks of the past could no doubt be classified as successful examples of

epistemic communities supported by and supportive of authoritarian rule in their respective Latin American republics. More generally, it has been argued that epistemic networking frequently gives rise to 'technocracy', a form of policy making that may be regarded as inherently anti-democratic. This, at least, is how Frank Fischer sees it: "For technocrats, competing interest groups are the *virtual enemy* of rational social organisation. The solution is to replace politicians and interest group leaders with technically trained experts who 'stand above' the political process [...] from this point of view only those above the political fray "can genuinely represent the public interest in the search for solutions. The public interest is said to be safeguarded by the 'impartial conscience' and 'neutral competence' of the technical expert"⁶⁰.

In its extreme form the case for technocracy may assert that it guarantees superior policy performance and this result is in itself sufficient to justify the displacement of democratic authority. Centeno referred to this as "legitimation through performance criteria"⁶¹. But the relationship between technocracy and democracy is not necessarily so antagonistic. Some variants of democratic theory permit some forms of delegation to neutral expert groups in their areas of specialised knowledge; and democratisation does not invariably dispense with technocratic forms of decision-making in all areas. There is an inherent tension here, rather than an inevitable contradiction. If this is so, then our mapping exercise needs to specify which features of an epistemic community can normally be expected to make it more compatible with democratisation or, alternatively, which features accentuate the tension between technocratic and democratic authority. We suggest the following five criteria: (1) *professional ethos*: Do these experts recognise the existence of a higher constitutional source of authority, or do they consider professional excellence as the sole test for policy making? (2) *Tolerance of diversity*: tightly organised professional communities naturally insist on enforcing uniform high standards of performance in the discharge of expert responsibilities. But insistence on professional standards of expertise can be compatible with tolerance of diverse views about the objectives of public policy. A democratic epistemic community is one open to a wide range of alternative views about ends, even though the profession may not accept much flexibility over the means used to pursue them. (3) *Ability to advise a wide range of contenders*: most, if not all, the political parties and competitors for office that have any serious chance of mustering substantial popular support should be offered access to the services of the professional community in question, if it is to count as a democratic entity. It is true that under certain extreme circumstances (as in medical personnel advising racist parties) a professional community may be violating fundamental standards by assisting a faction that is significant in electoral terms. But barring a few exceptional cases a democratic epistemic community should try to make its expertise available to all the currents in contention. (4) A democratic network of professionals and experts will also have a *collective interest in promoting public understanding* of its specific field of knowledge. So another criterion should be whether the group in question devotes much effort to communicating the fruits of its expertise to the media, the educational establishment, organised interests in society, and to the citizenry at large. In some esoteric fields it may be difficult to reach out to a mass public, but those experts most engaged in policy making need a good communication strategy.

60. See Fischer (1990).

61. See Centeno (1993).

And a democratic epistemic community will transmit not only its certain knowledge but also its areas of doubt, and must therefore be attentive to feedback. (5) Finally, a democratic network of professionals needs to establish effective *checks on misconduct* by those acting in its name. For example, health professionals must not allow the abuse of psychiatric procedures by political doctors; security professionals should not tolerate gross human rights abuses or torture by members of their community; lawyers must observe certain procedural and indeed democratic standards. Can economists be undemocratic? Here the test for misconduct may be harder to specify, but arguably the same principles should also apply to this sector.

These questions are not merely of theoretical interest for a region like Latin America. Throughout the twentieth century its leaders sought the right form of government, and the most appropriate development strategy, to resolve the inherited deficiencies in their societies. In the last decade of the twentieth century, an unusually wide and deep consensus emerged that the best form of government is democracy, and that the most appropriate developmental strategy is outward-oriented and pro-market. The idea was that it would help to 'depoliticise' economic life and to stimulate a more entrepreneurial society. In view of the still incomplete nature of the reform processes, we can hardly expect to arrive at a definitive and uniform evaluation of its success. We may conclude that at the end of the twentieth century Latin America finally managed to settle on both a form of government and a strategy of development that could be continued, deepened, and made irreversible for the indefinite future. However, the broad gauged, long run, comparative perspective adopted here has drawn attention to at least three potentially substantial qualifications to this optimistic scenario.

First, instead of viewing all aspects of previous interventionist experience as misconceived and all aspects of a current market orientation as inherently superior, such judgments need to be relativised. The current wave of reforms will turn out to be one more episode in the long succession of Latin American experiments in search of the right development strategy. In that event it will deliver some benefits, encounter some resistances, deteriorate over time, and in due course, lead to another round of experiments that, rightly or wrongly, aim to overcome the perceived failings of the latest model.

Second, there is the question of the 'reversibility' of measures that are currently sold as irreversible. Historically, external shocks – violent fluctuations in the availability of international capital inflows, and in the openness of the markets to which Latin American trade has been oriented – have destabilised earlier sequences of market-oriented internationalism. Perhaps the international political economy has now been rendered secure against further upheavals of this kind, but that is to take a lot on trust. Were the international environment again to become less favourable, the irreversibility of the new model would depend upon the solidity of its domestic foundations. Thus, for example, the preservation of private property rights would depend substantially upon the strength of the rule of law, and the quality of the legal and justice systems in place in Latin American countries. If impunity for violating property rights persists, then arbitrary infringements of the property system will tend to recur. Similarly, if social inequalities are left untouched.

Third, there is the issue of the 'public interest' under conditions of political democracy. Neither democracy nor the market are entirely secure as yet in Latin America and defining

where the public interest lies involves a complex process of debate, bargaining, and political interaction. If democracy becomes consolidated, then voters, citizens, and parties will expect to play their part in shaping that public debate. In broad terms they may be constrained by the wish or need to respect market rationality. But the market does not generate a unique static equilibrium solution to every problem of allocation and distribution. It has to be constructed, reshaped, maintained, and monitored by a whole array of state initiatives and public policies that always involve a succession of complex balancing acts. The current political preoccupation with fighting terrorism and curbing market abuses that facilitate the covert financing of terrorist networks demonstrates how quickly the climate of opinion – and regulation – can change even in the most mature market democracies.

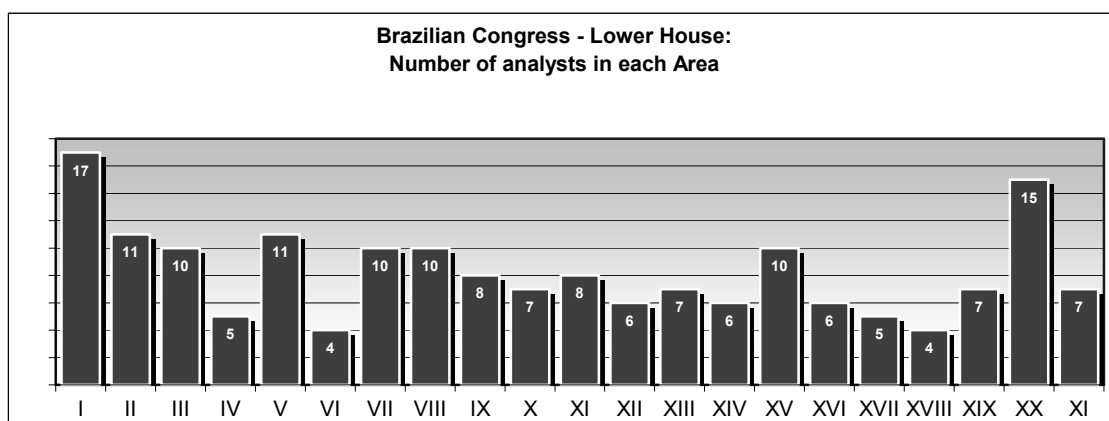
If both democracy and the market are to coexist and interact in accordance with the public interest, a considerable degree of mutual adjustment will have to take place. This would mean not merely that a durable liberal democracy must be market-friendly, but also that a broadly privatised economy may be subject to extensive political re-regulation or re-institutionalisation. These are the challenges facing all market democracies, but they assume a distinctive and acute form in the Latin American regional context. Here, the advocates of liberal reform are likely to rely heavily on external accreditation and protection to validate their purported expertise. Here, a poorly coordinated and easily captured state apparatus may lack the specialised capacities and staying power required to design, implement and monitor successful transformations of this kind. Here, the lessons of history and the division of interest may both generate a reasonable expectation that the public interest rhetoric of the 'liberalising expert' may prove a poor guide to what they are really trying to achieve, or how it will turn out in practice. Consequently, in Latin America, more than elsewhere, it may prove difficult to sustain a minimum social consensus around this latest project of modernity. The extremes of social inequality and exclusion that still characterise almost the whole region, despite its embrace of markets and democracy, expose all such projects to potentially destabilising resistance and even backlash.

In order to avoid such backlash, the region will need macroeconomists that are not only scientists but also engineers, not only architects and designers of policies, but implementers⁶². For more cognitive institution building will require, in particular institutions to be adequately articulated with the world of policy making and policy makers, as well as rooted in the local political and social context in order to produce adequate and efficient economic policies. Again, it is not only bright economic architects that are scarce in the region (i.e. macroeconomist scientists with Ivy League pedigrees) but rather economic engineers, able to implement sound policies, technically articulated but also politically viable.

62. We use here the distinction elaborated by Gregory Mankiw who distinguished two types of macroeconomists, those who understand the field as a type of engineering, trying to solve practical problems, and those that are more scientists, developing analytic tools and establishing theoretical principles (Mankiw, 2006).

APPENDIX I

Graph 1: State Cognitive Institutions. The example of the Brazilian congress



Source: OECD Development Centre; based on Brazilian Congress, 2006.

Table 1: Congress as Cognitive Institutions: Number of full time technical staff by areas of expertise in the Brazilian Congress

| Area | Name | Area | Num |
|--------------|--|-------|------------|
| I | Constitutional Law, Electoral, Municipal, Administrative, Legislative Process and Judiciary | I | 17 |
| II | Civil Law and Procedural Law, Penal and Procedural Penal, Family, Author, Successions, Private International | II | 11 |
| III | Tributary Law, Taxation | III | 10 |
| IV | Public Finance | IV | 5 |
| V | Labor Law and Procedural Labor | V | 11 |
| VI | Agrarian Law and Land Policy | VI | 4 |
| VII | Financial System, Commercial Law, Economic, Consumer Rights | VII | 10 |
| VIII | Public Administration | VIII | 10 |
| IX | Politics and Economic Planning, Economic Development, International Economics | IX | 8 |
| X | Agricultural and Rural Politics | X | 7 |
| XI | Environment and Environmental Law, Territorial Organization, Urban and Regional Development | XI | 8 |
| XII | Mineral, Hydro and Energetic Resources | XII | 6 |
| XIII | Urban Development, Traffic and Transportation | XIII | 7 |
| XIV | Social Communication, Informatics, Telecommunications, Postal System, Science and Technology | XIV | 6 |
| XV | Education, Culture, Sports, Science and Technology | XV | 10 |
| XVI | Public Health, Sanitarism | XVI | 6 |
| XVII | Security and National Defense | XVII | 5 |
| XVIII | International Public Law, International Relations | XVIII | 4 |
| XIX | Political Science, Sociological Science, History and International Relations | XIX | 7 |
| XX | Writing and Parliamentary Speech | XX | 15 |
| XI | Social Security, and Social Security Law | XI | 7 |
| Total | | | 174 |

Source: OECD Development Centre, based on Brazilian Congress, 2006.

Table 2: State and Non-State Cognitive Institutions: Comparative Resources in the Case of Venezuela

| Research Teams in Economics | Web | Total Staff | Total Economists/ Analysts | Total PhD Economists/ Analysts | Annual Budget (in USD) |
|---|---------------------------|-------------|----------------------------|--------------------------------|------------------------|
| Banco Central de Venezuela | www.bcv.org.ve | 40 | 32 | 18 | 1 041 666.67 |
| Instituto de Estudios Económicos y Sociales, IEES | | | | | |
| Universidad Católica Andrés Bello | www.ucab.edu.ve | 20 | 5 | 0 | 208 333.33 |
| Centro de Estudios para el Desarrollo (CENDES) | www.cendes-ucv.edu.ve | 45 | 25 | 14 | 468 750.00 |
| Instituto de Estudios Superiores en Administración (IESA) | www.iesa.edu.ve | 20 | 15 | 10 | 520 833.33 |
| MetroEconómica (consultora privada) | www.metroeconomica.com.ve | 8 | 3 | 1 | 83 333.33 |
| VenEconomía (consultora privada) | www.veneconomia.com | 15 | 6 | 0 | 156 250.00 |
| DataAnálisis (consultora privada) | www.datanalisis.com | 20 | 8 | 0 | 208 333.33 |
| Ministerio de Finanzas | www.mf.gov.ve | 10 | 7 | 0 | 104 166.67 |
| Ministerio de Planificación y Desarrollo | www.mpd.gov.ve | 45 | 37 | 0 | 468 750.00 |
| Oficina de Asesoría Económica del Congreso (OAEF) | www.oaef.gov.ve | 6 | 4 | 0 | 62 500.00 |

Source: BBVA Venezuela, 2005

Table 3: Non-State Cognitive Institutions: US Based Think-Tanks Financial Capacities

| Europe | Annual Income | Endowment |
|---------------------------|---------------|-----------|
| Real Instituto Elcano | 3 M Euros | No |
| CEPR | 2.6 M GBP | No |
| USA | | |
| Rand Corporation | 224 M USD | 357 M USD |
| IIE | 7 M USD | 150 M USD |
| CEIP (Carnegie) | 19 M USD | 174 M USD |
| The Brookings Institution | 33 M USD | 217 M USD |
| Heritage Foundation | 42 M USD | 102 M USD |
| The Cato Institute | 13 M USD | No |

Source: Estimations based on annual reports, 2006.

Table 4: Listing of Major Latin American Think-Tanks

| | |
|--|---|
| Argentina: FIEL | http://www.fiel.org/ |
| Argentina: Fundación Mediterránea | http://www.ieral.org/ |
| Argentina: CIPPIEC | http://www.cippeec.org/ |
| Argentina: CEDI | http://www.fgys.org/ |
| Argentina: CADAL | http://www.cadal.org/ |
| Argentina: CEI /Torcuato | http://www.utdt.edu/cei/ |
| Argentina: IADE | http://www.iade.org.ar/ |
| Argentina: CENIT | http://www.fund-cenit.org.ar/ |
| Argentina: CEMA | http://www.cema.edu.ar/ |
| Argentina: Estudio Broda | http://www.estudiobroda.com.ar/ |
| Argentina: Fundación Capital | http://www.fcapital.com.ar/ |
| Argentina: Ecolatina | http://www.ecolatina.com/ |
| Brazil: CEBRAP | http://www.cebrap.org.br/ |
| Brazil: AC Pastore | http://www.acpastore.com/ |
| Brazil: MBAssociados | http://mbassociados.com.br/ |
| Brazil: Tendencias | http://www2.tendencias.inf.br/ |
| Brazil: Fernand Braudel Institute | http://www.braudel.org.br/ |
| Brazil: FIPE | http://www.fipe.com.br/ |
| Brazil: IBRE / FGV | http://www.ibre.fgv.br/ |
| Colombia: Fedesarrollo | http://www.fedesarrollo.org/ |
| Colombia: CEDE | http://www.uniandes.edu.co/ |
| Chile: CIEPLAN | http://www.cieplan.cl/ |
| Chile: Instituto Libertad y Desarrollo | http://www.lyd.cl/ |
| Chile: CEP | http://www.cepchile.cl/ |
| Chile: ILADES | http://www.ilades.cl/ |
| Perú: IPE | http://www.ipeportal.org/ |
| Perú: CIUP | http://www.up.edu.pe/ciup/ |
| Perú: IPE | http://www.iep.org.pe/ |
| Perú: Apoyo | http://www.apoyo.com/ |
| Perú: GRADE | http://www.grade.org.pe/ |
| México: CIDAC | http://www.cidac.org/ |
| México: CIDE | http://www.cide.edu/ |
| México: CIE / ITAM | http://cie.itam.mx/ |
| Uruguay: CERES | http://www.ceres-uy.org/ |
| Uruguay: CLAEH | http://www.claeh.org.uy/ |
| Colombia: Fedesarrollo | http://www.fedesarrollo.org/ |
| Colombia: CEDE | http://www.uniandes.edu.co/ |
| Chile: CIEPLAN | http://www.cieplan.cl/ |
| Chile: Instituto Libertad y Desarrollo | http://www.lyd.cl/ |
| Chile: CEP | http://www.cepchile.cl/ |
| Chile: ILADES | http://www.ilades.cl/ |
| Perú: IPE | http://www.ipeportal.org/ |
| Perú: CIUP | http://www.up.edu.pe/ciup/ |
| Perú: IPE | http://www.iep.org.pe/ |
| Perú: Apoyo | http://www.apoyo.com/ |
| Perú: GRADE | http://www.grade.org.pe/ |
| México: CIDAC | http://www.cidac.org/ |
| México: CIDE | http://www.cide.edu/ |
| México: CIE / ITAM | http://cie.itam.mx/ |
| Uruguay: CERES | http://www.ceres-uy.org/ |
| Uruguay: CLAEH | http://www.claeh.org.uy/ |

Source: OECD Development Centre; based on own research, 2006.

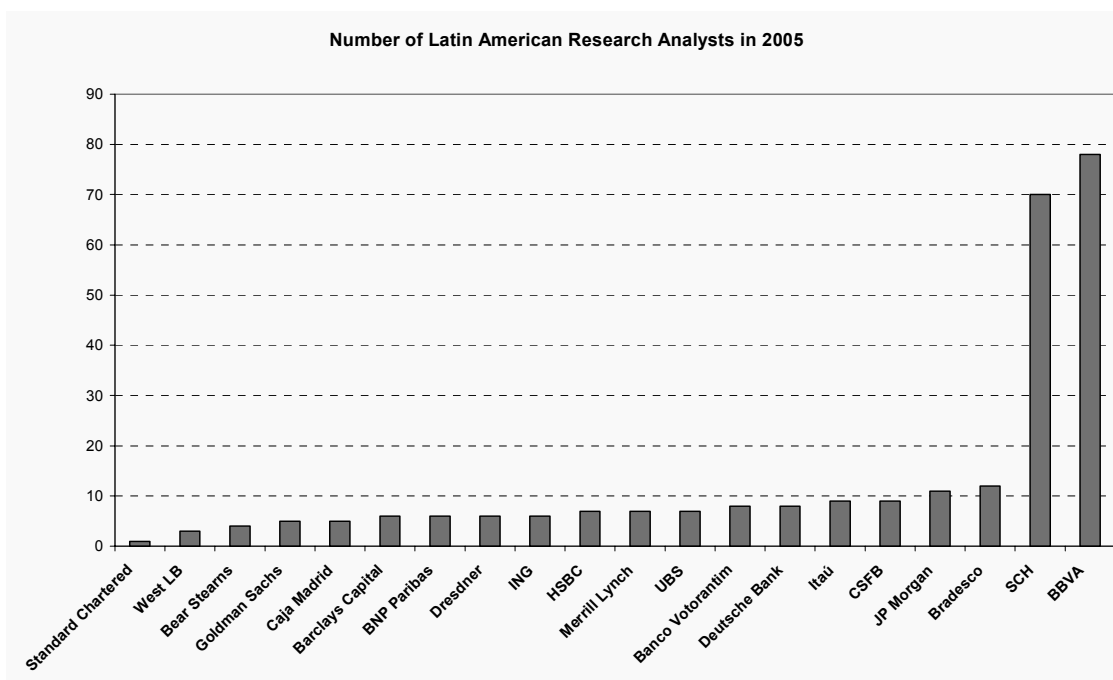
Table 5: The Confidence Game: Meetings between Banks and States

Bank Programs IADB Annual Meeting 2005

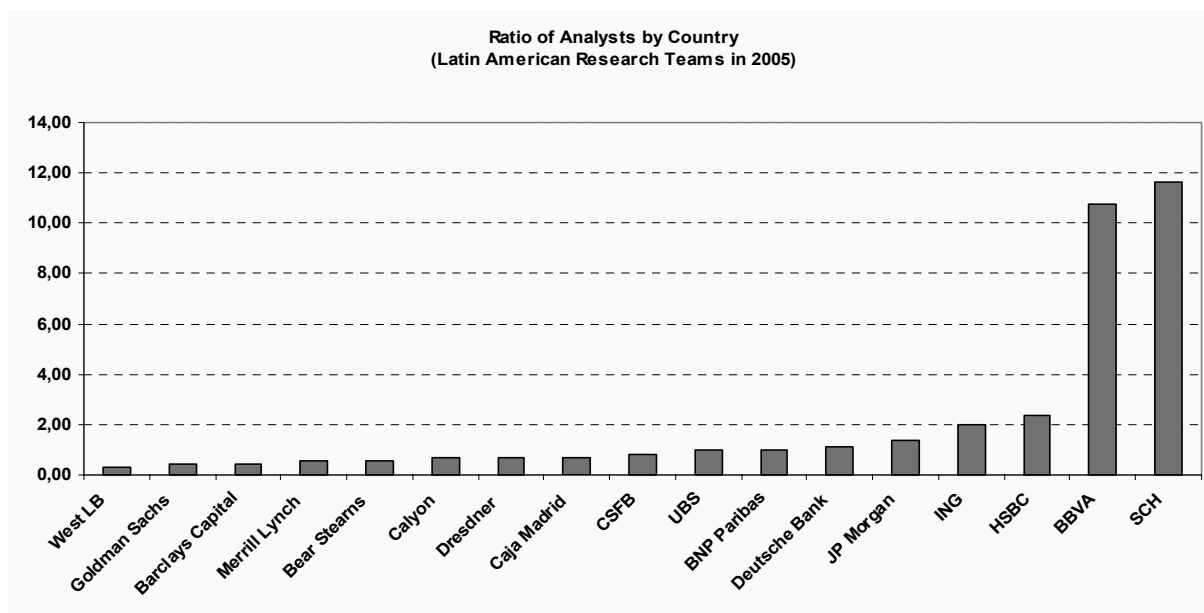
| Name | Function | Country | Merrill Lynch Conference | Citigroup Conference |
|-----------------------|----------------------------|------------------|--------------------------|----------------------|
| Fan Gang | Director NERI | China | Yes | No |
| Guillermo Nielsen | Secretary of Finance | Argentina | Yes | No |
| Alvaro Uribe | President | Colombia | Yes | No |
| Brian Coulton | Sovereign Analyst | Fitch Ratings | Yes | No |
| John Taylor | Undersecretary US Treasury | United States | Yes | Yes |
| Esteban Jadresic | Director, Central Bank | Chile | Yes | No |
| Lisa Schineller | Senior Analyst | S&P | Yes | Yes |
| Jane Eddy | Head Sovereigns Latam | S&P | Yes | Yes |
| Henrique Meirelles | President Central Bank | Brazil | Yes | Yes |
| Vincent Truglia | Head Sovereign Ratings | Moodys | Yes | No |
| Vicente Bengoa | Secretary of Finance | Dom. Rep. | Yes | No |
| Hector Valdez | Governor Central Bank | Dom. Rep. | Yes | No |
| Nelson Merentes | Minister of Finance | Venezuela | Yes | No |
| Guillermo Calvo | Chief Economist IADB | IADB | Yes | No |
| Guillermo Perry | Chief Economist WB | World Bank | Yes | No |
| Anoop Singh | Director, Western Hem. | IMF | Yes | No |
| Martin Redrado | President Central Bank | Argentina | Yes | Yes |
| Ricaurte Vazquez | Minister of Economy | Panama | Yes | No |
| Pedro Pablo Kuczynski | Minister of Economy | Peru | Yes | Yes |
| Danilo Astori | Minister of Economy | Uruguay | Yes | No |
| Mauricio Yopez | Minister of Finance | Ecuador | Yes | No |
| Francisco Gil Diaz | Minister of Finance | Mexico | Yes | Yes |
| Maria Inés Agudelo | Vice Minister of Finance | Colombia | No | Yes |
| Sebastian Palla | Undersecretary of Finance | Argentina | No | Yes |
| Robert Devlin | Deputy manager, IADB | IADB | No | Yes |
| Barbara Stallings | Brown University | Brown University | No | Yes |
| Joaquim Levy | Secretary of Treasury | Brazil | No | Yes |

Sources: OECD Development Centre; based on own research, 2006; Merrill Lynch and Citibank IADB Conferences, 2005.

Graphs 2 and 3: Banks as Cognitive Institutions

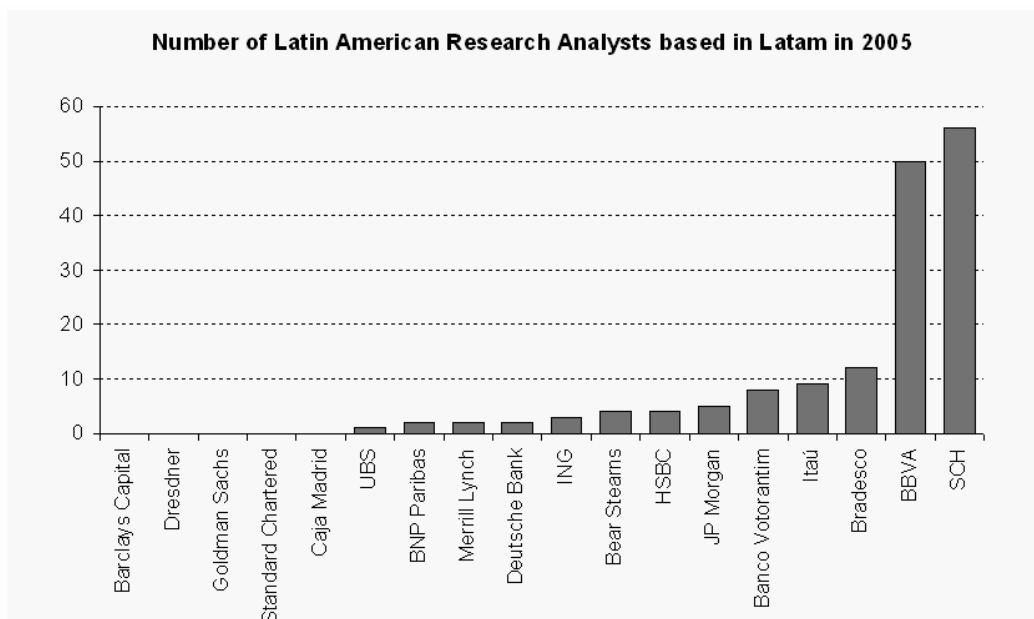


Source: OECD Development Centre, 2006; based on research products and production of BBVA, SCH, Bradesco, JP Morgan, CSFB, Itau, Deutsche Bank, Banco Votorantim, UBS, Merrill Lynch, HSBC, ING, Dresdner, BNP Paribas, Barclays, Goldman Sachs, WestLB, and Standard Chartered.

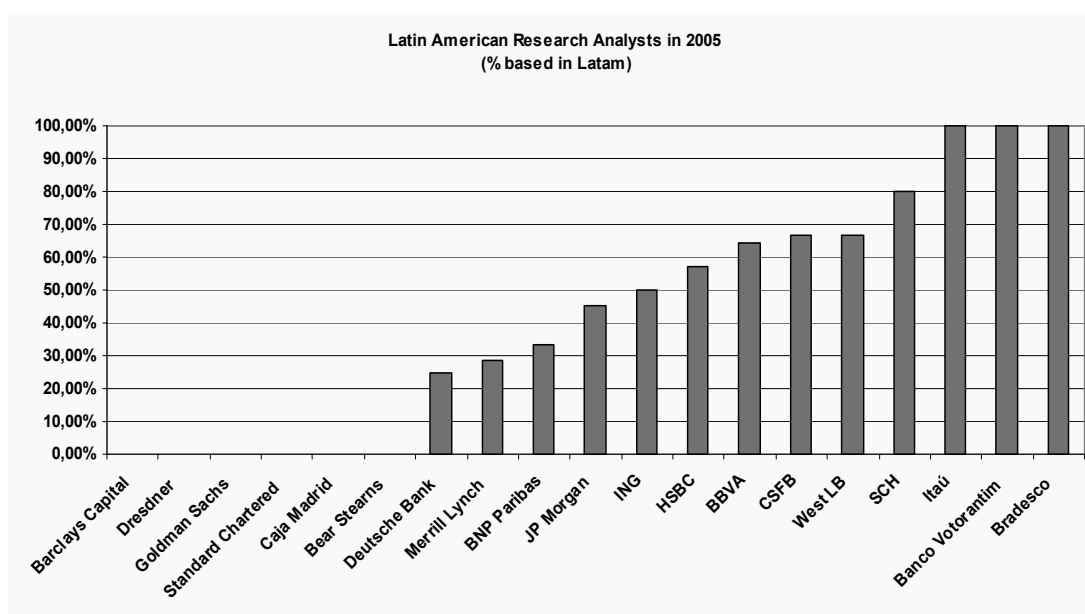


Source: OECD Development Centre, 2006; based on research products and production of BBVA, SCH, Bradesco, JP Morgan, CSFB, Itau, Deutsche Bank, Banco Votorantim, UBS, Merrill Lynch, HSBC, ING, Dresdner, BNP Paribas, Barclays, Goldman Sachs, WestLB, and Standard Chartered.

Graphs 4 and 5: Banks as Cognitive Institutions: Distribution of Latin American Analysts

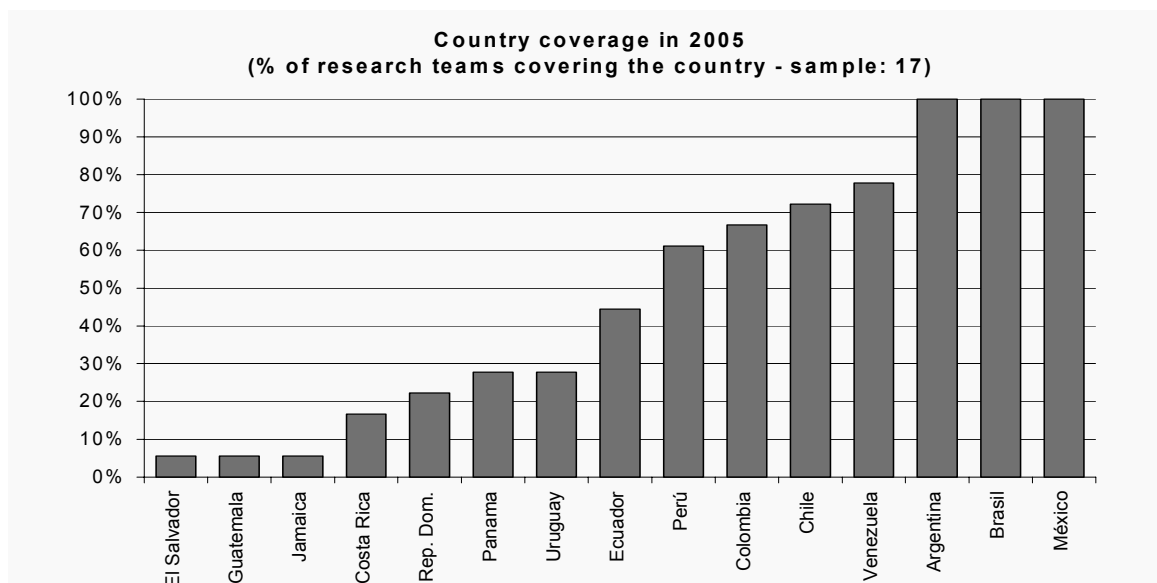


Source: OECD Development Centre, 2006; based on research products and production of BBVA, SCH, Bradesco, JP Morgan, CSFB, Itaú, Deutsche Bank, Banco Votorantim, UBS, Merrill Lynch, HSBC, ING, Dresdner, BNP Paribas, Barclays, Goldman Sachs, WestLB, and Standard Chartered.



Source: OECD Development Centre, 2006; based on research products and production of BBVA, SCH, Bradesco, JP Morgan, CSFB, Itaú, Deutsche Bank, Banco Votorantim, UBS, Merrill Lynch, HSBC, ING, Dresdner, BNP Paribas, Barclays, Goldman Sachs, WestLB, and Standard Chartered.

Graph 6: Banks as Cognitive Institutions: An Incomplete Country Coverage



Source: Own estimations based on research products and production of BBVA, SCH, Bradesco, JP Morgan, CSFB, Itaú, Deutsche Bank, Banco Votorantim, UBS, Merrill Lynch, HSBC, ING, Dresdner, BNP Paribas, Barclays, Goldman Sachs, WestLB, and Standard Chartered, 2005.

Table 6: International Organizations as Cognitive Institutions Local Grounded in Latin America: The Example of CAF and ECLAC

| Active Staff at 31/12/2004 | |
|-----------------------------------|---------------|
| | Salary |
| Directors | 36 |
| Professionals | 180 |
| Administrative staff | 72 |
| Total | 288 |
| Hired | 20 |
| Temporary | 23 |
| Outsourcing | 20 |

Source: Based on CAF, 2005.

Table 7: CAF as a Latin American Based Cognitive Institution: Economic Studies Directorship Team in 2005

| Economic Studies Directorship Team | | | | | |
|------------------------------------|-----|-------------|--|------------------------------------|--|
| Name | Age | Nationality | Position in CAF | Location | Formation |
| Fidel Jaramillo | 42 | Ecuadorian | Vice-president of Development Strategies and Chief Economist | Site - Caracas | Economist from Universidad Católica del Ecuador, Master in Political Economy and Ph. D. in Economics from Boston University, USA |
| L. Miguel Castilla | 37 | Peruvian | Director of Economic Studies | Site - Caracas | Economist with honors from McGill University, Montreal, Canada. Master and Ph. D. in Economics from Johns Hopkins University, Baltimore, USA |
| Osmel Manzano | 33 | Venezuelan | Investigation Program Coordinator | Site - Caracas | Economist from the Universidad Católica Andrés Bello, in Caracas, Venezuela, with Ph. D. in Economics from the Massachusetts Institute of Technology, USA |
| Stefania Scandizzo | 36 | Italian | Investigation Economist – specialised in integration aspects | Site - Caracas | Economist from the Università Commerciale ‘Luigi Bocconi’, Milan, Italy, with Ph.D. in Economics from the University of Pennsylvania, USA |
| José Gregorio Pineda | 32 | Venezuelan | Investigation Economist - specialised in integration aspects | Site - Caracas | Economist from the Universidad Central de Venezuela, Caracas, with Ph.D. in Economics from University of Maryland, USA |
| Eduardo Antelo | 39 | Bolivian | Country Economist for Bolivia and Chile | Representation in La Paz, Bolivia | Economist and PhD. In Economics from the University of Sao Paulo, Brazil |
| Cristina Fernández | 35 | Colombian | Country Economist for Colombia and International Background | Representation in Bogotá, Colombia | Economist and Masters in Economics from the Universidad de los Andes, Master in Economics from New York University, EEUU |
| Lenin Parreño | 31 | Ecuadorian | Country Economist for Ecuador and Mexico | Representation in Quito, Ecuador | Economist from the Universidad Católica of Quito and Masters from the Universidad Católica of Chile |
| Bartolomé Ríos | 35 | Peruvian | Country Economist for Peru and Argentina | Representation in Lima, Peru | Economist from the Universidad del Pacífico (Lima) with Master in Public Administration from Columbia University, New York, USA |
| Germán Ríos | 39 | Venezuelan | Country Economist for Venezuela and Brazil | Site - Caracas | Economist from the Universidad Central de Venezuela, Caracas, Masters in Administration (Instituto de Estudios Superiores en Administración IESA) and Economics (Johns Hopkins Univ) |
| Andrea Otero | 24 | Venezuelan | Investigation Assistant | Site - Caracas | Economist from the Universidad Católica Andrés Bello, Caracas, Venezuela (2003) |
| Federico Ortega | 23 | Venezuelan | Investigation Assistant | Site - Caracas | Economist from the Universidad Católica Andrés Bello, Caracas, Venezuela (2005) |
| Ricardo Isea | 23 | Venezuelan | Investigation Assistant | Site - Caracas | Economist from the Universidad Central de Venezuela, Caracas (2004) |
| Mariana Penzini | 23 | Venezuelan | Investigation Assistant | Site - Caracas | To obtain the title of Economist in the Universidad Católica Andrés Bello, Caracas, Venezuela (2006) |

Source: Based on CAF, 2005.

Table 8: CAF Research Programme Activities in 2004

| Cost and Financing Program of Support to the Investigation (approximate amounts) | | | |
|--|-------------------------------------|--------|----------------|
| Activity | | | Total USD |
| a) Theme selection | | | 0 |
| b) Investigators Participation | | | 100.000 |
| | i. Invited Investigators | 25.000 | |
| | ii. Contest Investigation Works | 25.000 | |
| | iii. Investigation Works Commission | 50.000 | |
| c) Workshops | | | 10.000 |
| d) Flag and Conference Publication | | | 55.000 |
| e) Knowledge Spread | | | 75.000 |
| | i. Conference Organisation | 45.000 | |
| | ii. Book Publications | 10.000 | |
| | iii. Contracts of Consultants | 20.000 | |
| Total Operation | | | 245.000 |

| Contracted External consultants in 2004 under the Research Programme | | | | |
|--|-------------------------------|---|--|--|
| Names | Nationality | Institution | Studies | |
| Jesús Eduardo Bianco | Venezuelan | Universidad Católica Andrés Bello, Caracas | Evaluation of the works of Fiscal Sustainability made by the Country Economists of the CAF | |
| David Florian Hoyle y Gabriela Cuadra | Peruvians | Pontificia Universidad Católica del Perú | "Evaluating the impact of the different Latin American processes of integration from a multiregional model of computable general balance", and "Evaluating the Impact of the different Latin American processes of integration from a multiregional model of computable general balance: implications in the agricultural sector | |
| Devashish Mitra | Hindu (US Permanent Resident) | The Maxwell School of Citizenship & Public Affairs, Syracuse University, EEUU | "Freeing Trade In The Andean Countries: Political-Economy Constraints and the Feasibility of Alternative Approaches" | |
| Isidro Morales Moreno | Mexican | Universidad de las Américas, Puebla, México | "The goals, scope and limits of 'open regionalism' in the Americas. Mexico's trade diplomacy since NAFTA and its lessons for Latin American countries within FTAA negotiations" | |
| Gabriel Ortiz de Zevallos | Peruvian | Instituto APOYO, Lima, Perú | "the political conditioners of the growth strategy" | |
| Carlo Pietrobelli | Italian | Law School of the University of Rome III, Italy | "Effects of the international insertion on the PYMEs in Latin America" | |
| Kamal Saggi | Hindu | Department of Economics, Southern Methodist University, Dallas, EEUU | "Increasing Latin America's Trade Presence in theWorld Economy: Effects of FDI: costs and benefits" | |
| Pablo Sanguinetti | J. Argentinean | Universidad Torcuato Di Tella, Buenos Aires | "The Political Economy of Contingent Protection in Latin America", "Trade liberalization, poverty and income inequality in Latin America" y colaborar con el programa de apoyo a la investigación a través de diversas funciones | |
| Soledad Zignago | Uruguayan | CEPII, Paris, France | "International Commercial Insertion of Latin America: Patterns of Commerce and Access to Markets " | |

Source: Based on CAF, 2005.

Table 9: Cognitive Institutions in Peru. Financial and Human Resources of Think Tanks in Peru

| Name | Web | Total employees | Total economists/ employees | Total economists/ Phd level |
|-------|------------------|-----------------|-----------------------------|-----------------------------|
| IPE | www.ipe.gob.pe | 25 | 10 | 2 |
| CIUP | www.ciup.gob.pe | 70 | 55 | 4 |
| GRADE | www.grade.org.pe | 47 | 36 | 3 |
| APOYO | www.apoyo.com.pe | 65 | 57 | 0 |

Source: Based on BBVA Continental, 2005.

| Name | Web | Annual budget (USD) | Participation of private sector in budget |
|-------|------------------|---------------------|---|
| IPE | www.ipe.gob.pe | \$300 thousand | 100% |
| CIUP | www.ciup.gob.pe | n.a. | n.a. |
| GRADE | www.grade.org.pe | \$800 thousand | 100% |
| APOYO | www.apoyo.com.pe | \$5 million | 100% |

Source: Based on BBVA Continental, 2005

Table 10: Cognitive Institutions in Peru and Venezuela: The Example of Banks

Banks as Cognitive Institutions: The case of Peru

| Bank | Web | Total analysts | Total PhD level | Government |
|-----------------------|------------------------------|----------------|-----------------|------------|
| Banco de Crédito | www.bcp.com.pe | 9 | 0 | Yes |
| Banco Wiese Sudameris | www.bws.com.pe | 7 | 0 | Yes |
| BBVA | www.bbvabancocontinental.com | 3 | 0 | Yes |

Source: Based on BBVA Continental, 2005.

Banks as Cognitive Institutions: The case of Venezuela

| Bank | Web | Total economists/ analysts | Total PhD | Government |
|---------------------|----------------------------|----------------------------|-----------|------------|
| Banco Provincial | www.provincial.com | 5 | 2 | 2 |
| Banco Mercantil | www.bancomercantil.com | 7 | 2 | 2 |
| Banco Venezuela | www.bancodevenezuela.com | 2 | 0 | 0 |
| Banco del Caribe | www.bancaribe.com | 3 | 0 | 0 |
| Banesco | www.banesco.com | 2 | 0 | 0 |
| Asociación Bancaria | www.asociacionbancaria.com | 3 | 0 | 0 |

Source: Based on BBVA Provincial, 2005.

Table 11: **The Cognitive Institutions in Uruguay. The Case of Think-Tanks**

| Think Tanks in Uruguay | | | | | |
|-------------------------------|-----------------------|------------------------|-----------------------------------|---------------------------------------|---------------------------|
| Name | Web | Total employees | Total economists/ analysts | Total PhD economists/ analysts | Budget (% private) |
| CINVE | www.cpa.com.uy | 15 | 12 | 4 | 100% |
| CERES | www.ceres.com.uy | 8 | 10 | 2 | 100% |
| INSTITUTO DE ECONOMIA | www.ccee.iecon.edu.uy | 30 | 30 | 7 | 0% |
| OIKOS | | 5 | 4 | 1 | 100% |
| CAMARA DE INDUSTRIAS | www.ciu.com.uy | 56 | 4 | 1 | n.a. |
| INSTITUTO CUESTA DUARTE | | 7 | 7 | 1 | n.a. |

Source: BBVA Uruguay, 2005.

Table 12: **Fiscal Policy Making**

| Legal framework of budgetary transparency and fiscal governance | | | | | | |
|--|---|---|--------------------|-----------------------------------|-------------------------------------|---|
| Country | Fiscal governance | Fiscal Transparency | | | Fiscal Responsibility | Accountability |
| | Organic budget law; Organic financial administration law | Access to public information law | Habeas Data | Law on fiscal transparency | Law on fiscal responsibility | Law on fiscal control |
| | ** | | | | ** | |
| Argentina | 1992, 1997 | * (2002) | 1994 | 1999 | 1999, 2001, 2004 | LAFPCSP Law 24156 (1992) |
| Bolivia | 1990 (1997) | 2004 | | 2004 | | SAFCO Law 1178 (1999; 1997) |
| Brazil | 2001 | | 1988 | 2000 | 2000 | Law 10180 (2001) |
| Chile | 1975 | | | | | LOAFE Decree 1263 1975 |
| Colombia | 2004 | 1985 | 1997 | 2003 | 2003 | Laws 43 (1993) and 2145 (1999) |
| Costa Rica | 2001 | * | | | | LAFPP Law 8131 (2001) |
| Dominican Republic | 1969 | 2004 | | | | LOPSP (1969) |
| Ecuador | 1977 | 2004 | 1996 | 2002 | 2002 | Decree 1429 (1977, 1990) |
| El Salvador | 1995 | | | | | LOAFE Decree 516 (1995) |
| Guatemala | 1997 | | 1995 | | | LOP Decree 101-97 (1997) |
| Honduras | 1976, 2004 | * (2003) | | | 2004 | LOP Decree 407-76 (1976) |
| Mexico | 1976 | 2002 | 2002 | | | LFSF Law (2000) |
| Nicaragua | 1988 (1991) | | 1995 | | | LOCGRSCAP Decree 625 (1981, 1984, 2000) |
| Panama | | 2002 | 2002 | 2002 | 2002 | |
| Paraguay | 1999 | 2004 | 1992 | | 2004 | LAFE Law 1535 (1999) |
| Peru | 2004 | 2002 | 1993 | 1999, 2003 | 1999, 2003 | LOSNCGR Law 27785 (2002) |
| Uruguay | 1999 | | | | | TOCAF Decree 95 (1991, 1999) |
| Venezuela | 2000, 2003 | | 1999 | | | LOAF SP (2000) and Decrees 2621 and 2268 (2003) |

Source: Author compilation, as of December 2004

** : Joint World Bank- IMF Country Budget Law Database, <http://www1.worldbank.org/publicsector/pe/countrybudgetlaws.cfm>, complemented by web-based research into the websites of the countries' ministries of economy and finance

* : Under consideration

Source: Carlos Santiso, 2005.

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