SEVEN

The Strategic Role of Ideas under Democratic Rule

This book began with the following puzzle: why do military regimes that claim to advocate the same economic policies actually adopt different ones? In the Southern Cone, policy makers and some military rulers declared their support for market-oriented reforms. Despite their self-proclaimed neoliberal goals, policy makers varied in their policy choices. Differences between policy intentions and actual policy choices suggest that, contrary to conventional wisdom, most military regimes are highly susceptible to pressure, especially from within the military itself. It is only under exceptional circumstances, such as in Chile, that military rulers are able to adopt survival strategies that help to insulate economic policy makers from lobbying influences.

This chapter begins by summarizing the findings of the study. It briefly reexamines military regimes in Argentina, Chile, and Uruguay, as well as in Brazil and Peru, to explain the effect of institutions and ideas on appointment strategies and policy choice. This study also shows that the model crafted to explain appointment strategies of military rulers has implications for Latin American democracies. Building on the institutional work of Haggard and Kaufman (1995) and Mainwaring and Shugart (1997), the findings suggest the importance of neoliberal economists for market-oriented reforms under democracy. The conclusion examines how this research potentially complements other studies, furthering our understanding about policy choice.

Summary of the Case Studies

This study proposes an anchor for the ideational literature based on the strategic interests of government officials. It examines the appointment strategies of survival-minded military rulers to understand the interplay between ideas and institutions. In specific, it shows that differences in long-standing characteristics of the military and in the kinds of governing institutions installed by military leaders shape the appointment of policy makers. Leaders under one-man rule, whose military has little experience with factions, have more autonomy in their appointments than collegial governments or factionalized militaries that require consensual agreement. This autonomy enables leaders to follow medium-term appointment strategies based on technical merit rather than serving immediate political concerns. Technical merit criteria contribute to the appointment of ideologically committed policy makers, and especially neoliberal economists. The selection of a high proportion of neoliberal economists promotes the initiation and maintenance of market-oriented economic policies. Based on their training, neoliberal economists hold similar economic ideas. Their ideas enable them to create a buffer against societal interests, which helps them to implement their policy preferences.

To test the argument, this study examines military regimes in Argentina (1966–73; 1976–83), Chile (1973–89), and Uruguay (1973–84). In Chile, a less factionalized military and one-man rule enabled General Pinochet to appoint neoliberal economists in policy-making positions, as part of a strategy to thwart competitors and achieve his political ambitions. Following their appointment, these "Chicago" economists initiated orthodox, market-oriented reforms. This contrasts with appointment strategies chosen by military rulers in Argentina and Uruguay. While Argentina's first military government also operated under one-man rule, the history of factional disputes forced General Onganía to choose policy makers who satisfied various interests and appoint few neoliberal economists in an effort to prolong his tenure. Argentina's second military government not only had to placate military factions, but its institutional structure of power sharing among the junta leaders restricted the president's control over cabinet appointments. Like Argentina's junta government, Uruguay's less factionalized military and system of collegial rule with strict rotations fostered negotiation and consensual agreement among the service chiefs. Consensual agreement worked against the appointment of neoliberal economists. Because military rulers selected fewer neoliberal economists in Argentina and Uruguay, the coherence of their economic teams paled in comparison to that of Chile. The lack of coherence in their teams facilitated interest-group access to key policy makers. In the end, despite pledging their support for orthodox, market-oriented reforms, military rulers and policy makers in Argentina and Uruguay initiated gradualist policies, which they later abandoned.

Military rule in Brazil (1964–85) and Peru (1968–80) also suggests the importance of institutions and ideas for explaining policy choice. In Brazil, the presidential succession system provided multiple access points for officers and interest groups to influence policy. Because most officers and pluralists opposed market reforms, prospective military rulers promised more heterodox policies. Brazil's history of military factions also reinforced the need for consensual decision making from among the officer's corps, which reduced the chance of selecting neoliberal economists. In Peru, military factionalization and junta rule obliged consensus from among the military establishment. Like Brazil, factional pressures offered policy-making access to interest groups and officers, most of whom favored protectionism. As a result, survival-minded military rulers appointed few neoliberal policy makers to satisfy these interests.

Implications for Democratic Countries

Policy-Making Appointments and Political Survival

The findings in this study also have implications for democratic governments. In specific, the ideas and institutions framework used to explain policy choices under authoritarian regimes is applicable to democracies. Since the late 1980s most political leaders and policy makers in Latin American democracies have endorsed stabilization, privatization, and economic liberalism. The bankruptcy of the ISI model combined with the 1980s debt crisis forced these countries to consider alternative economic strategies, including market-oriented reforms.

Despite the abandonment of ISI policies by most Latin American governments in the 1980s, their policy choices differed. Some countries initiated extensive (or orthodox) market-oriented reforms while others initiated only partial reforms. Although democratic leaders and policy makers in Argentina, Mexico,[1] Uruguay, and Colombia proclaimed their support for market reforms as early as the 1980s, some were more successful than others in achieving their preferred goals. Why do countries whose policy makers and governmental leaders often claim to favor orthodox reforms differ in their policy choices?

Contemporary political economy offers several possible explanations. Many scholars focus on the importance of state autonomy and insulation for initiating more orthodox reforms. The basis for an insulated state relies on political survival strategies along with collective action issues. In the democracy literature, it is assumed that most leaders want to survive in office. Although they surely have additional interests, political survival—remaining in office—is paramount.[2] Subject to electoral constraints, leaders are compelled to institute policies that improve economic performance in the short-term.

The initiating and sustaining of unpopular orthodox reforms, the story goes, are considered politically suicidal for democratic leaders. Orthodox reforms that attempt to eliminate market imperfections and promote greater efficiency generate high short-term costs, including price hikes, high unemployment, and production decreases. Price hikes result from the lifting of price controls and introduction of exchange rate reform. High unemployment and production shortfalls are caused by the collapse of formerly protected industries. Although new industries geared to a competitive economy will emerge, rewards for these firms come mainly in the long term (Geddes 1995, 60). Individuals who face unemployment because of privatization usually form a relatively small and concentrated group. According to Olson (1965), small and concentrated groups are better able to organize against reforms (and resolve a collective action problem) compared to the more numerous and dispersed beneficiaries of reform.

To withstand the pressure generated by the more organized and vocal interests, political leaders and their policy makers require some form of insulation. Haggard and Kaufman (1995) contend that the successful initiation of orthodox reforms depends on centralized executive authority. Under centralized authority, the executive uses special constitutional provisions and emergency powers to bypass pluralist pressures usually hurt by extensive reforms. Centralized executive authority is also important for overcoming political stalemates, selecting and backing a cohesive policy-making team, and overriding bureaucratic and political opposition to policy initiatives.

Similarly, Mainwaring and Shugart (1997) argue that a "strong" executive facilitates the initiating of orthodox reforms. They also emphasize the need for the president and majority of the legislature to come from the same party during the initiation phase. The combination of a strong executive and the executive party's dominance in the legislature removes obstacles to initiating and consolidating reforms.

Designing a theoretical structure similar to that used for military rule, this study complements work by Haggard and Kaufman (1995)

and Mainwaring and Shugart (1997). Once again, political leaders' survival strategies affect policy-making appointments, only this time under democratic rule. To understand appointment strategies of democratic executives, I examine governing institutions and characteristics of the legislature. Differences in governing institutions and party strength in legislatures influence the appointment decisions of political leaders. Political and institutional environments determine which policy makers will contribute most to the political survival of political leaders.

Similar to Haggard and Kaufman (1995), this study hypothesizes that centralized executive authority is important for introducing policy initiatives. It also bolsters work by Mainwaring and Shugart (1997). The study suggests that in countries where governing institutions confer much power on executives and where a majority of the legislature come from the same party as the executive, the executive has greater autonomy in the appointment of economic policy makers.[3] Like one-man rule and less factionalized militaries, a strong executive and legislatures dominated by the executive's party provide executives with more means to do whatever they want. Political survival strategies, based on different institutional settings, influence the executive's willingness to appoint economists.

Independent Variables

Centralized Executive Authority

I use many of Shugart and Carey's (1992, ch. 8) variables, including the power to issue executive decrees and veto decisions, and make and censure cabinet appointments, as well as the president's holding an electoral mandate, to operationalize centralized executive authority. Using these variables, we are able to create an executive strength scale. A score of two indicates that the executive has full powers for that particular category. A score less than two but above zero indicates that the executive has some power in that category; a score of zero shows that the executive has no control over that category.

Divided Government

To measure the effect of the executive's party holding a majority of seats in the legislature, I combined data primarily from the Center for Education and Social Research (several years), Mainwaring and Scully (1995), and

Mainwaring and Shugart (1997). A score below 50 percent indicates that the executive's party does not hold a majority of seats in parliament. A score above 50 percent indicates that the party holds a majority in the legislature.

Results

A review of democratic regimes in Argentina, Colombia, Mexico, and Uruguay over the past two to three decades shows the usefulness of the modified military model. The findings suggest the importance of centralized executive authority and that the president and majority of the legislature come from the same party for the executive to have greater autonomy in his policy-making appointments. Over the last ten years, governments in Argentina, Colombia, and Mexico have for the first time introduced orthodox policies. In the past, neoliberal economists almost never represented more than half of the policy makers in these countries. Today, however, a high proportion of their policy makers are neoliberal economists. In Uruguay, by contrast, President Luis Alberto Lacalle (1990–94) proclaimed his support for orthodox, market-oriented reforms, but appointed few neoliberal economists for policy-making positions and initiated gradualist policies. The appointment of neoliberal economists occurred under strong executives whose party held a majority in the legislature. These cases demonstrate that executive powers and the composition of legislatures shape survival strategies and influence the choice of economic policy makers (see diagram 7.1).

Strong Executive with Majority Support in Legislature

Since the late 1980s, executives in Argentina, Colombia, and Mexico could issue executive decrees (in Colombia, especially prior to the 1991 constitutional reform), control most cabinet appointments, veto important legislation, and had won electoral mandates (see table 7.1).[4] Recent elections in Argentina, Colombia, and Mexico also gave the executive's party a majority or near majority in their respective legislatures (see tables 7.2, 7.3, and 7.4).

In Argentina, President Carlos Menem's sizable electoral victory,[5] the swelling in the number of legislative seats held by his party that increased at midterm elections (see table 7.2), and the fall in seats held by the main opposition party provided Menem with much freedom in his economic appointments. Satisfying party factions and opposition parties in an

Diagram 7.1 Executive Strength and Party Composition in the Legislature

		Democratic Rule	
		Strong Executive	Weak Executive
Legislature	Executive Party Majority	Argentina post-1989 Colombia post-1986 Mexico	Argentina pre-1989
	Executive Party Minority	Colombia pre-1986	Uruguay

Note: In Argentina, the executive's party did not hold a clear-cut majority in both houses of Congress in the 1980s and 1990s. However, in most cases, the party held a majority in one house and a near-majority in the other.

Table 7.1 Measurement of Executive Strength, 1985–1997

Country	*Executive Decrees*	*Electoral Mandate*	*Cabinet Appointments/ Censure*	*Veto Powers*	*Total*
Argentina	2	2	1.5	2	7.5
Colombia	2	2	2	2	8.0
Mexico	2	2	2	2	8.0
Uruguay	0	0	1	0.5	1.5

2 = the highest level of executive strength in each category; 0 = the lowest.

Table 7.2 Executive Party's Seats in Argentina's Senate and Chamber of Deputies, 1983–1997

President	*Senate*	*% of seats*	*Chamber of Deputies*	*% of seats*
			1997 (PJ)	45.9
	1995 (PJ)	55.6	1995 (PJ)	52.1
	1992 (PJ)	62.5	1993 (PJ)	50.2
1989 Carlos Menem (PJ)	1989 (PJ)	54.2	1991 (PJ)	50.2
			1989 (PJ)	50.0
	1986 (UCR)	39.1	1987 (UCR)	46.1
1983 Raúl Alfonsín (UCR)	1983 (UCR)	39.1	1985 (UCR)	51.2
			1983 (UCR)	50.8

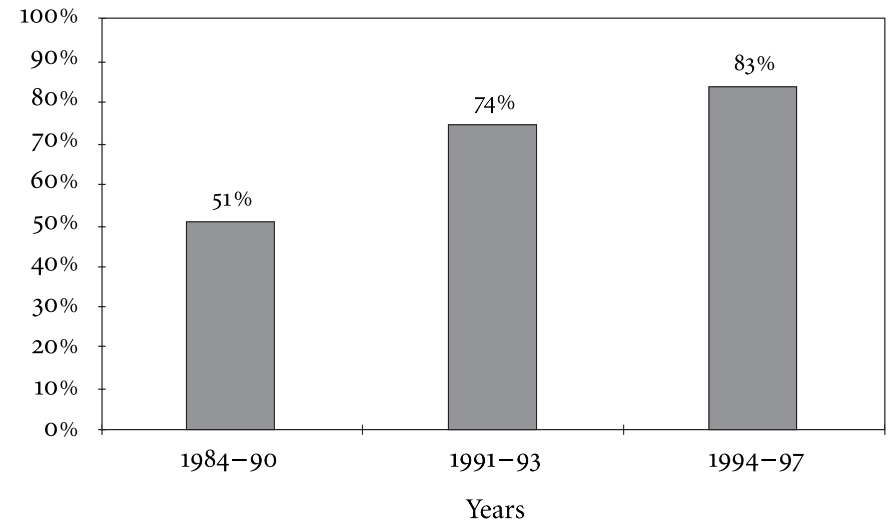
Sources: 1997, Center for Education and Social Research (1998, 46); 1995, 1993, 1992, 1991, 1989, 1987, 1986, 1985, 1983, Jones (1997, 265–66).
PJ = Partido Justicialista; UCR = Unión Cívica Radical.

effort to consolidate democracy also played a less pressing role than it did for the first democratic government following military rule, which enhanced the president's autonomy.

During his presidential campaign in the spring of 1989, Menem stressed ideals commonly endorsed by previous Peronist leaders. He proposed state intervention in the economy and support for workers as keys to economic revitalization. His electoral victory, however, led the already faltering economy into a hyperinflation. Investor concerns over the decisions Menem might make once he took office contributed to capital flight and economic chaos.

In an attempt to calm investors, Menem appointed an economic team that consisted of business leaders from Bunge and Born along with some economists, who initiated a gradualist neoliberal strategy (Smith 1991). Menem's initial appointments also served to marginalize the institutionalization of the Justicialista Party (PJ). Menem, a former governor of La Rioja and political outsider, wanted to limit the institutionalization and organization of the PJ and redesign it in his own image. Menem reduced party influence by appointing "minor Peronist figures con-

Chart 7.1 Percent of Neoliberal Economists in Economic Policy Making in Argentina, 1984–1997



Sources: Argentine finance ministry, central bank, and planning office.
Note: Economic policy-making positions in Argentina are: secretary and subsecretary of finance, minister and subsecretary of the economy, secretary and subsecretary of SEPCE (the planning office), secretary and subsecretary of commerce, and president, first vice president and second vice president of the central bank.

nected personally to him or extraparty technocrats committed to liberalizing the economy" (McGuire 1995, 232).

In December 1989, Argentina experienced a second bout of hyperinflation. Menem selected another team to address these economic difficulties, but economists still did not dominate the economic ministries. Menem waited until January 1991, with his survival at stake,[6] to select Harvard-trained economist Domingo Cavallo as his new economic minister. Bringing with him "Cavallo Boys," economists from the IEERAL, an economic think tank he helped to launch, Cavallo assembled an economic policy-making team of neoliberal economists (Corrales 1997, 56). From 51 percent of economists holding policy-making positions from 1984 through 1990, the percent of economists rose to 74 percent from 1991 through 1993 and 83 percent from 1994 through 1997 (see chart 7.1).

Table 7.3 Executive Party's Seats in Colombia's Senate and House of Representatives, 1974–1994

President	*Senate*	*% of seats*	*House of Reps.*	*% of seats*
1994 Ernesto Samper (PL)	1994 (PL)	50.7	1994 (PL)	49.5
	1991 (PL)	52.5	1991 (PL)	50.9
1990 César Gaviria (PL)	1990 (PL)	58.5	1990 (PL)	59.1
1986 Virgilio Barco (PL)	1986 (PL)	49.3	1986 (PL)	47.7
1982 B. Betancur (PC)	1982 (PC)	41.2	1982 (PC)	43.0
1978 Julio Turbay (PL)	1978 (PL)	55.4	1978 (PL)	55.8
1974 López Michelsen (PL)	1974 (PL)	59.8	1974 (PL)	56.8

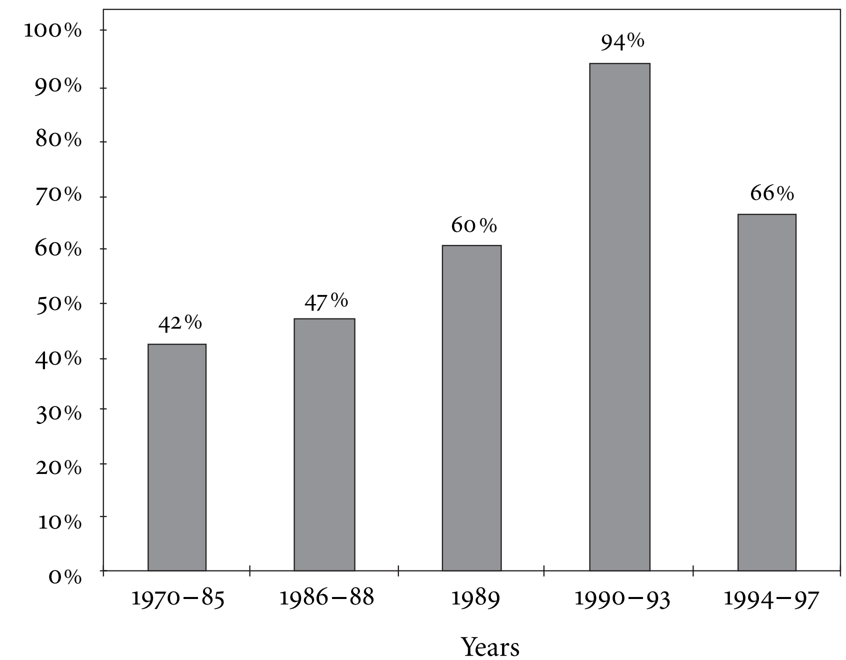
Sources: 1994, 1991, 1990, 1986, Archer and Shugart (1997, 150–51); 1982, 1978, 1974, Archer (1995, 193–94).
PL = Partido Liberal; PC = Partido Conservative.

Cavallo instituted sweeping and deep orthodox reforms. His team privatized nearly all state enterprises, opened markets to international competition through tariff reforms, reduced if not eliminated state subsidies to domestic producers, and liberalized prices and financial instruments.[7] Menem's appointment of Cavallo and his team suggests the significance of a strong executive and control of the legislature by the executive's party for autonomy in policy-making appointments. The willingness to appoint economists depended on earlier economic failures as well as Menem's attempt to marginalize the PJ's party leaders.

Like Argentina, Colombia is another case of a centralized presidential system (especially prior to the reforms of 1991)[8] and executive party control over the legislature. In late 1989, near the end of his presidency, Virgilio Barco increased the proportion of economists in economic policy-making positions. With his Liberal Party controlling a near majority of seats in the Senate and House of Representatives (see table 7.3), Barco had great freedom in his cabinet appointments. Barco ruled under a one-party government, with the opposition, the Conservative Party, "shut out of major government positions" (Martz 1992, 28).

Barco—who previously opposed orthodox policies and, in fact, blocked liberalization plans in May 1989—took measures to open domes-

Chart 7.2 Percent of Neoliberal Economists in Economic Policy Making in Colombia, 1970–1997



Sources: Revista del Banco de la República (various years); *Agenda de la Comunicación Social* (various years); *Despachos Públicos* (various years).
Note: Economic policy-making positions in Colombia are: minister and viceminister of finance, minister and viceminister of agriculture, minister and viceminister of economic development, director and subdirector of national planning (DNP), minister and viceminister of external trade, and manager and assistant manager of the Banco de la República. The minister and viceminister of external trade were newly created positions and not part of the data for the entire period.

tic markets to international competition (Urrutia 1994). He reduced tariffs, devalued the peso, submitted plans to privatize important sectors of the economy, and introduced reforms in the financial and tax system. Prior to the initiation of neoliberal policies, the proportion of neoliberal economists increased in 1989 by 13 percent to 60 percent of economic policy makers (see chart 7.2). Barco's willingness to appoint these economists came as a result of his backing of an advisor and presidential candidate from the same faction in the Liberal Party (PL). While Barco may not have advocated a large proportion of neoliberal economists, as indicated by the proportion of economists from 1986 through 1989, his close advisor and future successor César Gaviria did (Urrutia 1994, 304).

Gaviria was not the Liberal Party's original presidential candidate. The assassination of the popular Luis Carlos Galán gave Gaviria his opportunity. Gaviria secured the party's nomination despite opposition from established party bosses who favored Hernando Durán Dussán, a longtime party stalwart, and Ernesto Samper of the Liberal left (Martz 1992, 37). Gaviria used his victory to initiate "more substantial liberalization than was supported by the [party] leadership or rank and file" (Geddes 1995, 71). Gaviria appointed economists to consolidate his power and marginalize the left wing of the party, especially Samper.

Gaviria also appointed neoliberal economists because of his earlier experience as finance minister and his economics training at La Universidad de Los Andes, which has an economics department filled with U.S.-educated economists. When President Gaviria entered office in 1990, his party held a majority of seats in the House (59.1 percent) and the Senate (58.5 percent), which provided him with some autonomy from his own party in policy-making appointments. Gaviria brought with him a large contingent of neoliberal economists. From 42 percent of the policy makers being economists from 1970 through 1985 (see chart 7.2), the proportion of economists rose to 94 percent from 1990 through 1993. The shift toward even more market-oriented policies also followed with Gaviria's term in office (Hallberg and Takacs 1992). Colombia's implementation of reforms under less than adverse economic circumstances also suggests that economic chaos is not a necessary condition for the adoption of market-oriented policies.

Like Colombia, Mexico is characterized by a strong presidential system and domination by the executive's party, in this case the Institutional Revolutionary Party (PRI), in the Senate and Chamber of Deputies (see table 7.4). And like Colombia, from the 1970s to the mid-1980s, Mexican leaders refused to implement orthodox policies. The proportion of economists prior to 1986 never exceeded 56 percent, and tended to fall below 50 percent for the whole period (see chart 7.3).

In late 1987, near the end of President Miguel de la Madrid's term, important policy changes occurred. De la Madrid introduced the Pact for Economic Solidarity, a stabilization and trade reform package with a

Table 7.4 Executive Party's Seats in Mexico's Senate and Chamber of Deputies, 1976–1997

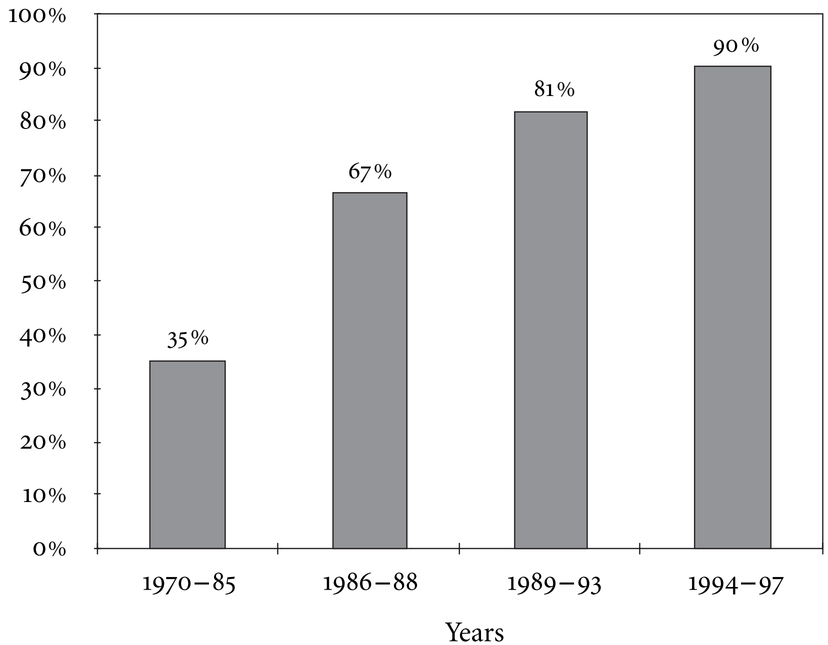
President	*Senate*	*% of seats*	*Chamber of Deputies*	*% of seats*
	1997 (PRI)	59.4	1997 (PRI)	47.8
1994 Ernesto Zedillo (PRI)	1994 (PRI)	74.2	1994 (PRI)	60.0
	1991 (PRI)	95.3	1991 (PRI)	58.0
1988 Carlos Salinas (PRI)	1988 (PRI)	93.8	1988 (PRI)	52.0
	1985 (PRI)	100.0	1985 (PRI)	72.3
1982 M. de la Madrid (PRI)	1982 (PRI)	100.0	1982 (PRI)	74.8
	1979 (PRI)	98.4	1979 (PRI)	74.0
1976 López Portillo (PRI)	1976 (PRI)	98.4	1976 (PRI)	82.5

Sources: 1997, Center for Education and Social Research (1998, 610); 1994, Center for Education and Social Research (1997, 553); 1991, Center for Education and Social Research (1993, 543); 1988, Center for Education and Social Research (1991, 443); 1985, Center for Education and Social Research (1987, 383); 1982, Center for Education and Social Research (1982–83, 326); 1979, 1976, Craig and Cornelius (1995, 275). PRI = Partido Revolucionario Institucional.

commitment to fiscal austerity. Elements of the trade reform "included lowering maximum tariffs to 20 percent and the average to about 10 percent, as well as a sharp reduction in the coverage of QRs [quantitative restrictions], and the virtual elimination of official reference prices" (Kaufman, Bazdresch, and Heredia 1992, 1).

The initiation of orthodox policies followed the appointment of more neoliberal economists. From 55.8 percent in the 1983 through 1986 period, the proportion of economists jumped to 67 percent from 1987 through 1988.[9] De la Madrid's willingness to select neoliberal economists came on the advice of economists from the Banco de México, the ministry of finance, and the planning ministry, who allied with Carlos Salinas de Gortari,[10] de la Madrid's designated successor (Kaufman, Bazdresch, and Heredia 1992, 22).[11] De la Madrid selected Salinas, his former secretary of programming and budgeting, because Salinas came from the same technocratic faction of the PRI as de la Madrid. Factional pressures

Chart 7.3 Percent of Neoliberal Economists in Economic Policy Making in Mexico, 1970–1997



Sources: Diccionario Biográfico del Gobierno Mexicano (various years); *El Gobierno Mexicano* (various years).
Note: Economic policy-making positions in Mexico are: secretary and subsecretary of finance, secretary and subsecretary of programming and budgeting, subsecretary of development planning and budgeting, secretary and subsecretary of agriculture, secretary and subsecretary of external trade, subsecretary of industry (also called subsecretary of industry "A"), subsecretary of trade, director and subdirector of the Banco de México, secretary and subsecretary of national planning (1971–82), and subsecretary of income. Because of data limitations, some of the undersecretary positions are not reported for 1994–97.

in the PRI intensified in the mid- to late 1980s. Most leftist members in the PRI formed a dissident movement called the Corriente Democrática (CD). The CD, led by Cuauhtémoc Cárdenas, withdrew from the PRI and merged with another party in October 1987. Other divisions also existed in the PRI. By choosing Salinas, de la Madrid could reduce "to obsolescence and irrelevance" the nationalist-populist wing in the PRI (Craig and Cornelius 1995, 259).

Following his electoral victory, President Salinas also attempted to marginalize the left from his party and weaken the new rival leftist party. In 1988, Salinas won an election that was marred by claims of electoral fraud from former leftist PRI members who had formed the Democratic Revolutionary Party (PRD) only a few years earlier.[12] He also witnessed a bitter division within his own party between technocrats who favored greater economic and political liberalization and dinosaurs who advocated state-led economic development and resisted democratization. Salinas used economic policy-making appointments to marginalize the dinosaurs, the leftist PRD, and bolster his own faction. Market reforms reduced patronage options used primarily by dinosaurs and former PRI members.

Salinas's economic team initiated even more orthodox policies. Based on his economics training at Harvard[13] and previous experience as secretary of programming and budgeting, Salinas appointed personnel with strong neoliberal backgrounds as his policy makers. The proportion of neoliberal economists rose to 81 percent of the economic policy-making positions from 1989 through 1993 (see chart 7.3). Nearly all the economists in Salinas's government held doctorates from universities in the United States. Perhaps Salinas's support for the North American Free Trade Agreement, which opened Mexico to international competition, best demonstrates the shift in Mexico's economic policies. Salinas's successor, President Ernesto Zedillo, continued the marginalization of the PRI's left.

Weak Executive with Minority Support in Legislature

Governments with weak executives (as in fragmented governments), in contrast, whose party represents a minority within the legislature, tend to rely on coalition support. Like collegial leadership under a factionalized military, this institutional setting prompts the weak executive to negotiate with party members and the opposition in appointing policy makers that satisfy interests from factions within the party and from other governing parties. The need for political backing from the legislature reduces executive autonomy in policy-making appointments, as executives use appointments to secure short-term political support. Members of congress also may deny appointments in confirmation hearings, or censure or interpellate cabinet ministers.

In addition, legislative members usually have different constituencies than the executive. These members are accustomed to "distributive logrolling," wherein each legislator trades votes in order to gain legislative support for bills that affect his or her constituents.[14] Since protectionist policies and state-owned enterprises provide added opportunities for legislators to distribute resources selectively to their supporters, legislators are unlikely to favor appointments that limit these opportunities.[15] Legislators trade votes among themselves to block reforms and appointments that threaten the political machines that reward their supporters.

Uruguay exemplifies a government with a weak executive and minority position held by the executive's party in the legislature. With its history of a weak executive or quasi-presidentialism[16] and many factions (sublemas) within the main parties, Uruguay relies on coalition governments. Because of the double simultaneous vote,[17] primaries are in effect held at the same time as the presidential election itself, with no second round of voting. This leads to the winning presidential candidate earning a minority of the total poll, with no claim to a personal mandate (Finch 1989, 21). The weak executive is invariably forced to include members from his or her own party faction in the cabinet; other factions in the party; and sometimes opposition parties. Governments with participants from the two main parties contribute to compromise in policy-making appointments, as they can block the executive's selections.

Following Uruguay's return to democratic rule in late 1984, newly elected President Julio Sanguinetti appointed few economists to policy-making positions. His party needed the support of opposition parties, especially the Blanco Party, as his Colorado Party held only 41.4 percent of the seats in the Chamber of Deputies and 43.3 percent of the seats in the Senate (see table 7.5). The sharing of power forced compromise among the parties that reduced the opportunity to appoint many economists.[18] Sanguinetti's cabinet consisted of ECLA, neoliberal, and dirigiste (statist) tendencies (*Latin America Weekly Report,* February 15, 1985, 10).

In 1989 Luis Alberto Lacalle, a neoliberal proponent,[19] took over the presidency. However, he failed to initiate neoliberal policies. Despite his support for market reforms, Lacalle neglected to privatize state enterprises. He also failed to cut state spending and employment, and reform the social security system. The low proportion of neoliberal economists (16 percent) in policy-making positions from 1990 through 1994 worked against the adoption of orthodox policies (see chart 7.4). These policy makers disagreed among themselves about which policies promoted economic development, making them susceptible to powerful interest-group lobbying.[20]

The institutional setting explains Lacalle's appointments. Because opposition parties outnumbered his Blanco Party in the legislature (see table 7.5), Lacalle formed a coalition government that included opposition members in the cabinet.[21] Although Lacalle wanted to appoint many economists, his weakness relative to the legislature and his faction's dependence on other factions in the Blanco Party and on factions in opposition parties forced compromise.

Table 7.5 Executive Party's Seats in Uruguay's Senate and Chamber of Deputies, 1984–1994

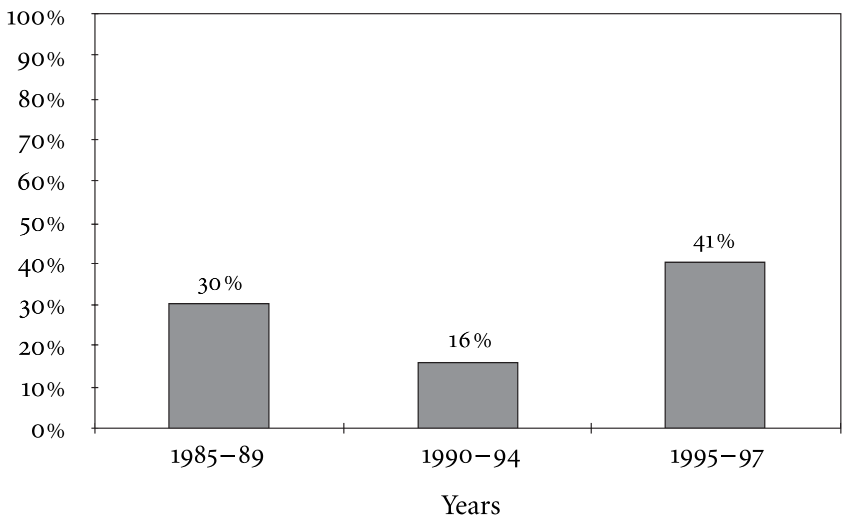
President	*Senate*	*% of seats*	*Chamber of Deputies*	*% of seats*
1994 Julio Sanguinetti (PC)	1994 (PC)	33.3	1994 (PC)	34.3
1989 Luis Lacalle (PN)	1989 (PN)	40.0	1989 (PN)	39.4
1984 Julio Sanguinetti (PC)	1984 (PC)	43.3	1984 (PC)	41.4

Sources: 1994, for the Senate and Chamber of Deputies: Latin American Data Base, December 2, 1994; 1989, for the Senate: *Keesing's Record of World Events* (1989, 37039), and for the Chamber of Deputies: Center for Education and Social Research (1993, 909); 1984, Center for Education and Social Research (1989, 676).
PN = Partido Nacional, PC = Partido Colorado.

Weak Executive with Executive Party Majority

Similar arguments apply to weak executives where the majority of legislators come from the same party as the executive. A weak executive with a legislature dominated by the executive's own party implies a high degree of control by the executive party's leaders in congress. Junior party legislators generally express loyalty to their senior leaders in congress, something akin to a less factionalized military under collegial leadership. A weak executive whose party dominates the legislature functions as if in a

Chart 7.4 Percent of Neoliberal Economists in Economic Policy Making in Uruguay, 1985–1997



Sources: Uruguayan central bank and planning office.
Note: Economic policy-making positions in Uruguay are: director and subdirector of SEPLACODI (the planning office), president, vice president, and director of the central bank, president, vice president, and director of the Banco de la República, minister and subsecretary of economics and finance, and minister of industry and commerce.

parliamentary system, with the executive forced to respond to various factions within the party. Satisfying various factions leads to appointment strategies that reduce the executive's autonomy.

Although Argentina's experience with strong presidential rule and domination by the executive's party in the legislature is well-documented, particularly with the dictatorial powers acquired by Juan Perón and his party in the 1940s and 1950s, the executive possessed fairly weak powers in the early 1980s. The debacle with authoritarian governance ruled out strong executive powers during the democratic transition. Despite President Raúl Alfonsín's party holding a majority of seats in the Chamber of Deputies, and a strong "contingent [in the Senate] that could construct agreements from a position of relative strength" (see table 7.2), Alfonsín needed to satisfy interests within his party and the opposition (Jones 1997, 267). Fear of democratic rule not being consolidated, or worse, of a return to military rule, was Alfonsín's prime concern. This fear, complemented by weak executive powers, prompted Alfonsín to appoint a diverse group of policy makers in 1984 that reflected compromise among the parties.[22]

Over the next year, Alfonsín's economy minister, Bernardo Grinspun, proclaimed his program to reflate the economy and promote equitable income distribution.[23] This program led to economic disaster, causing Alfonsín to replace old-time party stalwarts with extraparty technocrats in 1985 (McGuire 1995, 230). Pressures from interests in the Radical Party and from opposition Peronists restricted his selection of economists (see chart 7.1). Alfonsín also personally opposed orthodox policies.[24] These economic policy makers attempted to implement gradualist reform policies, including privatization of SOMISA, the state steel corporation, and Fabricaciones Militares. The policy makers succeeded in their efforts to deliver stabilization programs. However, many reforms, such as privatization and cuts in state spending, required legislative approval. Opposition from Alfonsín's own party and the Peronist-dominated Senate blocked these reforms (Rock 1987, 400). In addition, the Radical Party's loss of many seats in 1987 midterm elections stole any momentum Alfonsín might have had with introducing privatization policies.

Strong Executive with Executive Party Minority

A strong executive by itself does not guarantee the executive autonomy in policy-making appointments. A government with a strong executive and legislature not dominated by the executive's party—also known as a divided government—forces the executive to accommodate the majority party in the legislature in most policy and appointment decisions. Satisfying opposition party members generally limits the executive's autonomy in cabinet appointments.[25]

An example of a strong executive and an executive party in the minority of the legislature is the administrations in Colombia prior to the Barco government. From 1958 to 1974—a period known as the National Front—the government consisted of bipartisan coalitions, with each party controlling exactly half of the appointments (Hartlyn 1989, 292). Under coalition rule, the parties attempted to satisfy various coalition players, which limited the executive's autonomy in cabinet appointments. In addition, until 1968 passage of legislation required a two-thirds vote, assuring that all bills met with the approval of both parties.

After the collapse of the National Front, parties earning the second highest number of votes still received "adequate and equitable" representation in the government between 1974 and 1986 (Hartlyn 1994, 236). Although presidents appointed finance ministers and other top officials, providing the opposition with cabinet appointments reduced the executive's autonomy. In 1982, for example, when Belisario Betancur won the presidency, the opposition Liberal Party held a majority of seats in the legislature (see table 7.3). Domination by the Liberals blocked legislation favored by Betancur (Archer 1995, 196). This forced Betancur "to negotiate more with the congress on legislation and to offer more in the areas of patronage and brokerage than he might otherwise have been willing to do" (Hartlyn 1994, 232). Efforts to reach an accommodation with Liberals in congress led to changes in Betancur's cabinet.

Moreover, bipartisan clientelism that marked the National Front, and that would continue until 1986, affected cabinet appointments. Rewarding ardent loyalists with favors, including resources and rewards of the national government, remained an important tool of the political leadership of both parties (Martz 1992, 31). The appointment of neoliberal economists who wanted to reduce the size of the state and, by consequence, decrease the resources available to reward party loyalists seemed unlikely for parties competing for support. Economists held less than half of the positions in economic policy making during this period (see chart 7.2).[26] Fewer economists may explain why Colombia implemented fewer market-oriented reforms than other countries in the region in the 1970s and early 1980s.

Argentina, Colombia, and Mexico suggest that a strong executive in combination with a legislature dominated by the executive's party facilitate the selection of neoliberal economists. The willingness of executives to appoint neoliberal economists depends mainly on their attempts to survive politically given their institutional settings. Uruguay, by contrast, exemplifies a case where the president may prefer to appoint neoliberal economists, but strong legislative forces tied his hands. Uruguay's government under Lacalle shares many similarities with military regimes in Argentina, Peru, and Uruguay. Some military rulers in these regimes proclaimed their support for neoliberal economists as policy makers, but because of the need to reach consensual agreements, they sought compromise in their appointments.

These cases also suggest that the correlation between neoliberal economists and orthodox market-oriented policies is not spurious. As neoliberal economists in economic policy-making positions favor similar policy views and are able to form a team, it comes as little surprise that the appointment of neoliberal economists precedes the implementation of orthodox policies. In the past, when policy makers in these countries applied less orthodox economic policies, only a small proportion of trained economists served as economic policy makers. Today, by contrast, a high proportion of these policy makers have received their advanced training in economics either in the United States or in local universities from professors who studied in the United States.

In addition, prior opposition to orthodox policies by leaders in Chile (Pinochet), Argentina (Menem), Colombia (Barco), and Mexico (de la Madrid), who later introduced orthodox policies, and the inability of leaders in Argentina (Videla) and Uruguay (Bordaberry and Lacalle), who supported orthodox policies but failed to initiate these policies, further suggest the importance of neoliberal economists for policy choices. While leaders possess policy choice strategies that affect policy choices, their ability to initiate these policies also depends on the background and commitment of their policy makers.[27]

These cases also show that military governments do not guarantee more orthodox neoliberal policies. In Argentina, a democratic government proved more successful than both military regimes and its democratic predecessors in instituting policy reform. The higher proportion of neoliberal economists in economic policy-making positions suggests an important difference between the government in 1991 that first enacted the all-encompassing reforms and its predecessors. Moreover, the initiation of orthodox policies under civilian governments in Colombia and Mexico demonstrates the significance of economists for policy choices and the limited role military regimes play in promoting orthodox policies.

Potentially Complementary to Other Studies

This study attempts to demonstrate the significance of appointment decisions made by military and democratic leaders to explain economic policy choices. The main concepts introduced here build on theories developed in the interest-group, state autonomy, ideas, and institutions literatures. Indeed, the argument presented here borrows heavily on these literatures. This section intends to show how this study complements and possibly extends these literatures.

Interest Groups

As demonstrated in our findings, powerful economic interest groups are often able to lobby policy makers or military leaders to modify or abandon policy decisions. In military regimes in Argentina, Uruguay, Brazil, and Peru, and in Uruguay's democratic government, interest groups helped to shape policy choice. Powerful interest groups received various forms of protection, including the maintenance of high tariffs, import bans, industrial promotion, and other subsidy schemes. This protection enabled inefficient producers to flourish. On the basis of interviews with policy makers in Argentina and Uruguay, and secondary accounts in the other countries, powerful interest groups often affect policy choice. In demonstrating that interest groups influence policy, this study concurs with interest-group arguments that a careful examination of powerful interests helps to describe, explain, and predict policy choice.

This study, however, goes a step further in explaining when interest groups will influence policy choice and when they will not. Clearly, there are examples in history where powerful interest groups had little effect on policy choice. In Chile under Pinochet, and in democratic governments in Argentina, Colombia, and Mexico, some powerful economic interest groups suffered as a result of orthodox policies. Powerful groups advocated protection for their industries, and policy beneficiaries appeared only after the initiation of reforms. In Chile, rarely did policies designed by the Chicago Boys favor powerful interests.

Most interest-group arguments fail to consider that policy makers sometimes are autonomous from interest-group pressures. These arguments ignore the possibility that military rulers can restrict interest-group access to policy makers through different governing institutions. These arguments also ignore that the appointment of similarly trained economists in economic policy-making positions limits access points for interests to lobby. By showing that the likelihood of interest groups affecting policy depends on institutional structures and the ideology of policy makers, this study complements interest-group arguments.

State Autonomy

In addition to showing when interest groups are most or least likely to influence policy, this research documents when governments are most autonomous in policy decisions. As suggested above, sometimes policies are implemented that go against the interests of powerful pressure groups and classes. Attempts to explain such policy choices on the basis of state autonomy, however, have stimulated calls to bring the state back out. Despite policy choices not always appearing to reflect the demands of interest groups, some have questioned whether the state, and the "baggage" that comes with it, is useful for explaining policy decisions.

This study builds on work by Geddes (1994) in its focus on individual state actors and the incentives they confront. Focusing mainly on military rulers in military regimes, I show that one-man rule and a less factionalized military provide military leaders with greater autonomy in their policy decisions and policy-making appointments. Military leaders, of course, are never fully autonomous from societal pressures. But differences in governing institutions and characteristics of the military insure greater autonomy for some than others. Executive policy-making appointments can also enhance the autonomy of the state and its policy makers from pressure groups. Policy makers who share the same ideas on economic policy choice and dominate policy-making positions minimize access points for societal interests to influence policy. On the other hand, if policy makers fight among themselves over which economic policies to initiate, the number of access points increases.

Ideas

In the ideas literature, analysts attempt to show how ideas by themselves, or in combination with interest groups, influence policy choice. Ideas are important for creating or devising new ways to approach problems. In some instances, interest groups are necessary for bringing these ideas to the attention of policy makers. In others, the ideas of experts, who work together to resolve problems, have direct influence on decision makers who can institute policy changes.

Much criticism of the ideas literature focuses on its inability to demonstrate concretely how ideas shape policy choice. Some also ridicule it for not addressing where ideas come from. This study, however, shows both how ideas affect the initiation and implementation of economic policy and where ideas come from. By examining the background and training of economic policy makers, we can predict the policies that are initiated. Knowing who the policy makers are that make policy decisions is critical for understanding issues related to economic development. To predict which policies economic policy makers favor, we need to evaluate the training of policy makers. If most economic policy makers earned degrees at virtually the same schools and share similar beliefs with regard to economic policy, we can establish a close connection between the ideas of policy makers and the policies they initiate. Rather than claim that ideas matter with little supporting evidence, we can examine the educational background of policy makers to understand how ideas and ideology influence policy choice.

In the cases under review, countries that initiated orthodox economic policies had economic policy-making teams dominated by neoliberal economists—mostly trained in the United States or in foreign universities with much of the faculty holding degrees from U.S. institutions. Countries that initiated and sustained orthodox policies included Chile under military rule and Argentina, Colombia, and Mexico in the late 1980s and early 1990s under civilian leadership. Countries that initiated gradual neoliberal policies but abandoned these policies included Argentina, Uruguay, Brazil, and Peru under military rule and democratic governments in Argentina, Colombia, Mexico, and Uruguay before the late 1980s. In these cases, neoliberal economists almost never represented more than half of the economic policy makers.[28]

Institutions

This study also supplements work in the institutions literature. Various writers detail the effects of political institutions on the making of economic policy. Researchers usually examine institutions such as electoral rules and party systems in democratic governments, but rarely do they investigate institutions under military rule. Some may argue that electoral rules or party systems have little or no significance in a military government. But other institutions, which mirror ones found in party systems or electoral rules in democracies, exist in military regimes. Long-standing characteristics of military institutions act much like party systems. In both cases, these institutions provide a strong indication of the loyalty or support government leaders are expected to receive. Like disciplined parties, wherein the party faithful usually back the party leader, militaries that have historically remained outside politics and obeyed the orders of their superiors grant leaders more autonomy in their decisions.

Similarities in the governing institutions of democratic and military governments also exist. Democracies operating under collegial executives function in ways similar to military regimes managed by juntas. In both, executives must seek consensual agreements.[29] Parliamentary rule also shares features with advisory committees or other quasi-legislatures made up of large groups of generals. In both cases, formal ties are established between legislative and executive branches, with legislative or advisory committees granted voting rights and vetoing or delaying privileges on important legislation.

The role of institutions in shaping the incentives of executives in both civil and military regimes is demonstrated by their similar responses to their respective institutional environments. These institutional structures influence their appointment decisions. As suggested by this research, certain institutional structures facilitate the appointment of neoliberal economists to policy-making positions. Examining these different kinds of institutions under democratic or military governments helps to determine the appointment strategies of executives.