

BUSINESS AND THE ‘‘BOYS’’: The Politics of Neoliberalism in the Central Andes

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Although the 1970s witnessed a convergence of neoliberal economic policies and authoritarianism in the Southern Cone countries of Latin America, the 1980s gave way to a new combination of economic orthodoxy and democracy in Bolivia, Ecuador, and Peru. Neoliberal economic projects emerged in these central Andean countries as they confronted broadly similar economic problems.¹ Plummeting prices in the international market for key exports, decreased investment, and growing financial burdens imposed by the international debt created the parameters of *la crisis*—the topic that became a central focus of political discourse in these new democracies. At different points in time, each of the three countries responded to the crisis with neoliberal economic experiments. In Peru a turn toward neoliberalism occurred under the administration of Fernando Belaúnde Terry (1980–1985), only to be completely reversed by the heterodox policies of Alan García (1985–). In Ecuador basic stabilization measures had already been undertaken by the government of Osvaldo Hurtado (1981–1984). León Febres Cordero (1984–1988) then committed the country to a monetarist and antistatist model. In Bolivia following the enormous instability and hyperinflation during the government of Hernán Siles Zuazo (1982–1985), the country adopted a neoliberal approach under the presidency of Víctor Paz Estenssoro (1985–1988).

In each of these countries, neoliberalism represented an important departure from previous economic policies and a populist past. The aim of the neoliberal projects was to reduce significantly the role of the state in the economy and allow market mechanisms to allocate resources. Central elements of the neoliberal approach were opening the internal market to foreign competition and investment, moving away from state investment in production, and instituting monetarism. Notwithstanding similarities in the ideology of neoliberal policymakers, important substantive variations surfaced in the policies and pace of implementation in the three countries. In Ecuador, where incremental tariff reforms were the product of negotiations between government and business, a gradual implementation of neoliberal measures took place: monetary reforms were phased

in and eventually led to a flotation of exchange and interest rates in August 1986. In Peru neoliberalism was introduced brusquely but was not applied consistently: tariff and export incentives were stripped away abruptly by the economic team led by Finance Minister Manuel Ulloa, with little attention being paid to the question of fiscal restraint or the opposition of industrialists. The most radical approach of all was adopted in Bolivia with the “shock treatment” enacted in Decree 21060. Issued in August 1985, this executive decree mandated across-the-board tariff reductions, the restructuring of public-sector enterprises, and a tight wage policy.

Our article will argue that the origins and variations in the neoliberal projects of the central Andes can be explained as outcomes of specific structural developments and the particular political conjunctures that emerged in each country in the wake of military authoritarianism and democratic transitions. Neoliberal policies were not neutral “technical” responses to a given type of economic crisis. Nor were they simply the impositions of external actors like the International Monetary Fund. While the international market and external actors influence and constrain domestic policymaking, they are not its sole arbiters. Domestic political conditions can make or break efforts at economic stabilization and restructuring. The recent experiments in heterodoxy in Argentina (the Plan Austral), Brazil (the Plan Cruzado), and Peru (the Plan Inti) all demonstrate that domestic policymakers can respond under certain circumstances to the crisis without bending completely to IMF orthodoxy. In the central Andes, neoliberalism was consciously chosen by policymakers with an eye toward specific power relations in their respective societies.² Conditions inside each polity made neoliberalism a viable option and allowed for at least partial implementation in all three countries. While they all underwent neoliberal interludes, each country followed a distinctive path to those experiments due to significant divergences in the distribution of power among class actors and their capacity to affect outcomes. The circumstances that produced these policies in the central Andes demonstrate wide variations in the character of the relations between the state and civil society, especially in the ability of economic elites to shape policy and extract particularized concessions from the state.

In Bolivia, Ecuador, and Peru, neoliberalism reflected a growing antistatist consensus among the local bourgeoisie. This new antistatist discourse grew out of their disillusionment with the state-centric policies of military governments and with the access problems experienced by business interest groups under those governments. Electoral victories of center-right parties propelled the new antistatism to the center stage of national politics, and the task of translating antistatism into concrete neoliberal policy initiatives fell to the “boys”—the government economic team composed of ministers and advisers appointed by the president.³

Almost immediately, the profound contradictions involved in translating antistatism into neoliberal policies in these types of capitalist economies became apparent, all the more so because they were struggling with still-fragile democratic arrangements. The antistatism ideology touted by the bourgeoisie in practice contradicted the economic interests of important groups within the class. Consequently, those groups mobilized in self-defense to lobby the economic teams with varying degrees of success. The frustrations of the bourgeoisie were shared by party elites in the governing coalition who were marginalized from key decisions and feared that they would pay the electoral price of unpopular economic policies. Yet the institutional web within which the economic teams functioned often gave them substantial autonomy, regardless of the pressure emanating from the top reaches of civil society. Highly centralized power in the executive, weak legislatures, and an exclusionary style insulated the economic teams from the pushes and pulls of pluralist politics. Moreover, opposition from below remained relatively muted due to the demobilized status of the labor movements and the economic cushion provided by a large informal sector in each of these economies.

Our analysis will focus on the structural and conjunctural dimensions of the policy process that produced the initial neoliberal experiments in the central Andes. Our goal is to delineate the “founding” circumstances of these experiments. For the purposes of this article, we have put aside discussion of policy outcomes and the demise of these attempts in the face of changing political conditions and continued economic crisis. Specifically, we will argue that the original policies can be understood by examining several factors: the composition and nature of the pro-neoliberal policy coalition; the relative power of opposition groups, both class- and party-based; the specific economic situation faced by policymakers and their perceptions of available options; and the decision-making styles and attitudes adopted by the economic teams and their institutional powers.

THE NEW ANTISTATISM

The emergence of neoliberal policies in the central Andes owed much to socioeconomic and political dilemmas generated by the military regimes of the 1970s, especially as they affected the structure of dominant-class interests. As a result, the search for an alternative to the state-centric economic models adopted by the military became intertwined with the search for an alternative political model. Democracy resurfaced as the political formula to cure the severe representation crisis induced by military authoritarianism. Business interest groups viewed democracy as the means of opening the state to a more regularized influence trafficking via electioneering and lobbying. Yet the consensus on democracy and antistat-

ism in the business communities of these countries proved amorphous. The private sector frequently found itself at odds with the dogmatic neoliberal technocrats of center-right governments, while democratic procedures and accountability were often sacrificed in the battles over neoliberalism.

The antistatist discourse that took hold in virtually all of the major business interest groups in these countries during the 1970s was pivotal to the intellectual and political genesis of neoliberal policy coalitions. Although business distrust of the state was nothing new, antistatism acquired a new depth and emotional sway over the domestic bourgeoisie during the 1970s due to the pace of state expansion in all three countries.⁴ Despite important policy differences among the military regimes in power in the 1970s, they all embarked on an aggressive expansion of the size and function of the public sector in the economy. During this period, the state significantly expanded its role as an investor, consumer, and regulator in all three Andean economies.⁵

Much of this state expansion directly benefited regional and sectoral groups of local capitalists. In Bolivia General Hugo Banzer's military government (1971–1978) channeled millions to investors in the eastern department of Santa Cruz through liberal credit policies while commercial capital benefited from the boom in public construction. In Ecuador both agro-exporters and import-substituting industrialists were favored by generous credit policies underwritten by oil revenues. In Peru industrialists benefited from market expansion and export subsidies. As a rule, local capitalists were generally favored by military policies that modernized the structure of these economies and promoted investment in new activities like industry and agro-exporting. Nonetheless, the military's selective attacks (both rhetorical and substantive) on the privileges of certain economic groups alarmed not just the affected groups but the business community as a whole. This reaction was especially evident in Ecuador and Peru, where the military regimes of General Juan Velasco Alvarado (1968–1975) and General Guillermo Rodríguez Lara (1972–1976) displayed reformist tendencies. Despite the fact that the overall economic climate was favorable, Velasco's dismantling of the Sociedad Nacional Agraria, his "derecognition" of the legal status of the Sociedad Nacional Industrial, and the enactment of the *comunidad industrial* laws were perceived together as a fundamental attack on the rights of the private sector to corporate representation and managerial autonomy. In Ecuador business organizations deeply resented the suspension of their voting rights on policymaking boards and clamored against the regime's attempts at increased regulation and agrarian reform. Even in the otherwise pro-business administration of Banzer in Bolivia, capitalists in the mining sector were saddled with one of the highest tax rates in the world, despite their continual protests.⁶

For business interest groups in all three countries, two related problems crystallized under the military governments of the 1970s: the "normal" business-government problems revolving around substantive disagreements between capitalists and government policymakers regarding economic policy and the appropriate role of the state; and the access and procedural problems involved in dealing with an authoritarian military regime. The military reform regimes in Ecuador and Peru dismantled the traditional representation held by business groups in government policy-making bodies. General Banzer's neopatrimonial style incorporated individual entrepreneurs into the government but failed to develop any mechanism to ensure regularized class representation. As a result, key umbrella business associations like the Asociación de Mineros Medianos and the Confederación de Empresarios Privados de Bolivia remained marginalized as institutions from policymaking. Thus anxieties about representation and feelings of uncertainty within the Bolivian business community grew during the dizzying succession of military and interim civilian governments between 1978 and 1982.

The unsettling experiences of military rule had important effects on the organizational capacity, political strategies, and ideological postures of interest groups representing dominant-class economic interests. Established organizations in all three countries were representing the sectoral interests of local business. But the economic modernization and the business-state conflicts that occurred under the military regimes acted as catalysts for heightened class consciousness and organizational development. This trend was reflected in the creation of new organizations and the revitalization of existing ones. In the absence of political parties, entrepreneurs looked to these groups as the only formal channels of representation. As such, these groups matured into more sophisticated lobbying machines and began to shed their traditional image as simple oligarchic clubs. They hired full-time professional staffs along with outside consultants and gave high priority to research and policy development.

This surge in interest-group activity was most evident initially in Ecuador. To defend themselves against the reformist aspirations of the Rodríguez Lara regime, the two major regional chambers of industry (the Cámara de Industriales de Pichincha and the Cámara de Industrias de Guayaquil) banded together into a single federation in 1972. Producers' associations representing new interests were formed, such as FEDEXPOR, which brought together investors in nontraditional exports. The regional chambers developed technical staffs. A longtime consultant to the Cámara de Industriales de Pichincha described how the changing character of the state affected the organization:

. . . the technical development of the Cámara began with the government of Rodríguez Lara in 1972. This was the government that began to make plans that

were upsetting to the industrial sector. . . . Rodríguez Lara began to talk about opening capital, democratization of the capital of businesses. Petroleum policies changed dramatically at the same time. The state grew in size because it owned petroleum. State power grew incredibly. . . . We understood that we were up against a new phenomenon that would serve as a counterweight to private enterprise. So in light of the evident growth of the state, it is logical that the *Cámaras* would create at least a small team to analyze this economic, political, and social phenomenon—a more technical analysis, not just the opinion of businessmen or a consultant or two. They don't just examine the interests of the sector anymore but the interests of the sector within the context of the national reality.⁷

The surge of new interest-group activity among the bourgeoisie lagged somewhat in Peru and Bolivia, due partly to differences in regime policies and styles and partly to the peculiarities of the bourgeoisie in those countries. In Peru the “stealthy policy style” and segmented reforms of the Velasco regime aggravated long-standing divisions within the Peruvian private sector and undercut its ability to mobilize a united front against the reforms.⁸ The *Sociedad Nacional Industrial* (SNI) opted for confrontational tactics while *Asociación de Exportación* (ADEX) adopted a more conciliatory stance toward the Velasco regime, trying to temper its reforms by cultivating ties with military policymakers. During the second phase of military government under General Francisco Morales Bermúdez (1975–1980), business leaders succeeded in rallying the dispirited business community. Efforts at creating a united front of business organizations finally resulted in the creation of the *Confederación Nacional de Instituciones Empresariales* (CONFIEP) in 1984.⁹ By the early 1980s, Peruvian interest groups like ADEX and SNI were on the move in technocratic terms: SNI created a research division, and ADEX hired outside consultants to formulate alternative economic policies to present to the government. In Bolivia business mobilization under the aegis of the *Confederación de Empresarios Privados de Bolivia* (CEPB) began largely as a post-Banzer phenomenon. It represented a response to the extremely high levels of uncertainty induced by the coming and going of eight military and civilian governments between 1978 and 1982.

In rallying against unreliable military regimes, these business groups resurrected elements of classical liberalism as part of their ideological discourse.¹⁰ Democracy was posed as the alternative political formula and the market as the cure for the social and economic “disease” caused by an overly obtrusive state. In Ecuador and Peru, major business groups actively agitated in favor of a transition and heartily endorsed the military's decision to return to civilian rule. In Bolivia the CEPB was a central actor in promoting the institutional mechanism for the military retreat in 1982. Along with labor and the Catholic Church, the CEPB backed the recall of the unseated 1980 Congress and the subsequent designation of Hernán Siles Zuazo as president.

At this juncture, the international context was highly favorable to

the pro-democratic and antistatist stances struck by business organizations at the turn of the decade. Domestic pressures for regime transition dovetailed with the Carter administration's policies aimed at promoting democracy in the region. At the same time, international institutions like the International Monetary Fund and the World Bank were declaring import-substitution industrialization a failure and urging Third World countries to turn toward exports and scale down the size of the public sector. Because of the positions adopted by these powerful external actors, the late 1970s proved to be a propitious time for domestic business to rediscover the ideological attractions of old-fashioned liberalism.

Nonetheless, important limitations remained regarding the character of the liberal renaissance inside the ranks of business. In Ecuador and Peru, countries with corporatist traditions, the new discourse on democracy did not involve a notion of retreat from special privileges. Business groups fully expected democratic governments to restore and even create new institutional mechanisms for business participation in economic policymaking. Moreover, democracy was perceived as a way of containing the masses. In Ecuador business interest groups mounted an aggressive campaign in 1978 against a new constitution providing for the enfranchisement of illiterates. In Bolivia leaders of the CEPB clearly conceived of their decision to support democracy as a means of avoiding a further degeneration of the military and a transition controlled by the radical left. An important leader of the CEPB described the group's disaffection with the military government of General Luis García Meza (1980–81):

The Confederación first met in a group of very important entrepreneurs, who saw that there were great problems with García Meza—problems of trying to do things in ways that were not suitable for members of the private sector, problems of human rights, economic problems. And we saw that little by little, these problems were putting the military in a very difficult position. You see, we always looked at the military as an important means of saving us from the extreme left in this country. And the less prestige they had, the less we could count on them. . . . And we knew that this meant that the longer they [the military] stayed, the greater the chances that the extreme left would take over the country in a coup. And if that happened, we thought it would be very hard to remove them. They would take measures like those in Nicaragua, and it would be hard for us to get them out [of government]. We could not allow the prestige of the military to suffer, so we started a campaign to begin a true democratic process.¹¹

Just as the business community's commitment to democracy was qualified, so was its renewed confidence in the market. As the classic works on ideology and public opinion have shown, commitment to abstract principles does not necessarily translate into support for specific policies embodying those abstract principles.¹² While business leaders naturally gravitated toward the imagery of the market in their anti-regime rhetoric, individual entrepreneurs maintained widely divergent concep-

tions and perspectives on how market-oriented policies should be formulated and implemented. As will be discussed, these divergencies became apparent immediately when neoliberal economic teams set about pulling the state back from direct economic management.

To a certain extent, the military regimes of the 1970s were successful in their pursuit of economic expansion and modernization. Their success was mirrored in the development and strengthening of old and new groups of domestic capitalists, whose eventual alienation from the regimes became a key component in the transition to democratic rule. Activated by conflicts with the military regimes, business group leaders looked to democratic politics as the means of inducing a retreat by the state from certain spheres while forging privileged relationships in others.¹³ Business organizations became central actors in a process that shifted the character of ideological discourse and the political agenda in these societies. Once the transition was underway, these organizations provided leadership and financial support for the resurgence of center-right parties in electoral politics. They were important entities insofar as they constituted the initial domestic constituency for neoliberalism. They launched antistatist diatribes, provided leaders for right-wing parties, and applauded electoral victories. But once center-right governments came to power, new lines of business-state conflict came into play as economic technocrats, politicians, and capitalists struggled over the real meaning and implications of antistatism.

THEORY INTO PRACTICE: ELECTIONS AND THE NEOLIBERAL CADRES

In contrast with Southern Cone neoliberalism, the central Andean experiments were undertaken by elected civilian governments and not by authoritarian military regimes. But just as it is simplistic to regard the results of any election as a popular license for specific policies, it is misleading to regard the electoral processes that brought center-right governments to power in the central Andes as expressing a broadly based social consensus led by the business community in favor of the neoliberal projects themselves. In all three cases, the behavior and economic performance of previous administrations became a central issue in the election campaign. Yet because of the vagaries of campaign politics, the precise contours of neoliberalism were never spelled out by the candidates to the electorate. These elections were actually highly indeterminate processes whose policy implications remained unclear to party elites, domestic capitalists, and the masses as well.

In Ecuador and Bolivia, the elections that brought the neoliberal governments to power (in 1984 and 1985 respectively) took place in an atmosphere of economic crisis. In both countries, incumbent administrations were managing economies wracked by inflation. The Ecuadorean

economic downturn began in 1982, triggered by falling oil prices and aggravated by international debt payments. The responses of the Hurtado administration (1981–1984)—slashing government spending, devaluing the currency, and increasing prices—were unpopular. Hurtado’s stabilization measures met with widespread opposition and generated serious political crises for his administration.

In Bolivia President Siles Zuazo faced an even more catastrophic set of economic circumstances. His administration had inherited a stagnant export sector, heavy foreign debt, and long pent-up wage demands by the trade-union movement. His concessions to wage demands and ill-managed monetary policies paved the way for hyperinflation of historic proportions. Thus Siles Zuazo’s free reign proved as unpopular as Hurtado’s orthodoxy. Some evidence that voters “punished” the incumbent parties for the economic crisis can be drawn from the subsequent electoral performance of these parties. In Ecuador the presidential candidate of Hurtado’s *Democracia Popular* polled a mere 3.7 percent of the 1984 vote; in Bolivia the candidate from Siles Zuazo’s party registered only 5.4 percent of the 1985 vote.

Within the context of the economic crisis that preceded the installation of neoliberal governments in Bolivia and Ecuador, the preferred strategy by presidential hopefuls, including conservatives, was to oppose current economic management rather than to attempt any detailed elaboration of a prospective economic package. In the Bolivian campaign, front-runners Víctor Paz Estenssoro of the *Movimiento Nacionalista Revolucionario* (MNR) and Hugo Banzer of the *Acción Democrática Nacionalista* (ADN) stressed their personal leadership qualities and association with previous periods of economic growth.¹⁴ The slogan “Banzer vuelve” was the rough equivalent of “Happy days are here again,” at least for some Bolivians. In Ecuador the neoliberal proclivities of León Febres Cordero were more clearly articulated in his promises to encourage foreign investment, reduce the role of the state in the economy, and promote export-oriented growth.¹⁵ But even Febres Cordero’s neoliberalism was often masked with populist rhetoric during the campaign. He attacked Hurtado’s policies as the cause of “hunger and unemployment,” and his second-round campaign slogan of “Pan, techo, empleo” had a flavor that was more Keynesian than neoliberal.

The 1980 Peruvian election that brought Fernando Belaúnde Terry back to the presidency was the founding election of the transition (that is, the presidential election that terminated the preceding military regime). *Acción Popular*’s dissociation from the military regime and Belaúnde’s position as a leading figure from the previous democratic period popularized his candidacy. Moreover, the campaign and election took place during an economic upswing resulting from a short boom in international mineral prices. Consequently, issues of economic management played a

less salient role in this election, and Belaúnde's economic platform gave no hint of the neoliberal experiment that was to follow.

The political campaigns that brought neoliberals to power in these countries revolved around candidate personality, the performance of the incumbent administration, and old-fashioned clientelist politics. Detailed scenarios of future economic orthodoxy were not central to the political debates. Just as one would be hard-pressed to interpret the 1980 Reagan victory in the United States as representing some fundamental shift in public opinion to the right, the electoral processes of the central Andes cannot be facily interpreted as a popular mandate for neoliberalism.¹⁶ The political campaigns were important, but not because they mobilized mass support behind a clearly identifiable economic project. Rather, they were critical junctures at which time the neoliberal policy network among elites was established. Key individuals from the antistatist business community and neoliberal technocrats coalesced around the conservative candidates. In Ecuador and Bolivia especially, the presidential campaigns became the crucibles for developing the neoliberal programs and assembling a cadre of economic managers.

The neoliberal policy network in Ecuador jelled in conjunction with the political ascent of León Febres Cordero. During the reformist military regime of Rodríguez Lara in the 1970s, León Febres Cordero had emerged as one of the leading antistatist ideologues in the private sector. Born into a socially prominent family in Guayaquil, Febres Cordero became the general manager of the enterprises of the Noboa Group, which spanned industry, finance, and commerce. While heading this influential economic group in Guayaquil, Febres Cordero became a leading business spokesman in his role as president of the Cámara de Industrias de Guayaquil. With the transition to democracy in 1979, he turned to politics. Febres Cordero affiliated with the center-right Social Christian party and was elected to Congress. There he honed the aggressive political style that became his trademark. After the death of President Jaime Roldós in a plane crash in 1981, Febres Cordero's relentless attacks on the Hurtado government drew national attention to him as one of the foremost opponents of government economic policy.

In 1980 Febres Cordero began discussions with the three technocrats who were to form the core of his neoliberal economic team. Carlos Julio Emanuel, Francisco Swett, and Alberto Dahik were all functionaries in the government's Banco Central office in Guayaquil. All of them had long-standing ties to the Guayaquileño business community. Prior to his appointment to the Banco Central, Emanuel had headed the Banco del Pacífico, a leading bank with close ties to the Noboa Group. Swett and Dahik had worked as advisors to the Cámara de Industrias de Guayaquil. Like Febres Cordero, all three had been educated abroad. Swett and Dahik trained at Princeton in public policy and economics respectively

while Emanuel studied economics at the University of South Carolina. Out of these discussions sprang the outline of a neoliberal program incorporating many of the policies advocated by the Cámara de Industrias de Guayaquil. Swett put together the initial version of the program in the government plan he authored for Febres Cordero during the 1984 campaign.¹⁷

The assembling of the economic team was accompanied by a broad mobilization of rightist businesses and parties around the Febres Cordero candidacy. Financial and moral support from business was substantial. Pedro Kohn, head of the Cámara de Industriales de Pichincha, declared that Febres Cordero's plan to revitalize the economy on the basis of "work, production, and foreign investment" echoed the aspirations of industrialists.¹⁸ Within the business community, relatively little concern arose regarding the exact implications of Febres Cordero's commitment to neoliberalism. His background and his emphasis on injecting "business" values like efficiency and productivity into government seemed to offset any fears of a radical neoliberal project that would abruptly dismantle all protection and subsidies to industry. As one of the leaders of the Cámara de Industriales de Pichincha observed, business leaders saw Febres Cordero as "one of their own." They trusted that a Febres Cordero administration would provide business with easy access to and influence over the policy-making process.¹⁹

In Bolivia a neoliberal project was initially conceived by a small group of entrepreneurs and technocrats who were supporting Hugo Banzer's bid for the presidency. In early 1985, Banzer collected a small group of advisors to aid him in formulating an economic program. Running as the presidential candidate of the Acción Democrática Nacionalista, Banzer emerged as an early front-runner in the contest along with Víctor Paz Estenssoro of the Movimiento Nacionalista Revolucionario. Banzer's economic team included some leading figures from mining and finance who also participated in the *grupo consultivo* of the Confederación de Empresarios Privados. The group functioned as an informal advisory committee to the president of the confederation. These entrepreneurs and several technocrats had served in the previous Banzer administration and occupied leadership positions within the ADN. Most had been educated in the United States. Ronald Maclean, an ADN politician and Kennedy School graduate, suggested that the specifics of a neoliberal program be worked out in consultation with economists at Harvard. In the spring of 1985, Banzer and his economic advisors traveled to Cambridge for a seminar on the Bolivian economy. Harvard economist Jeffrey Sachs became an advisor of this embryonic ADN economic team.

Banzer's slim plurality in the popular vote threw the elections into Congress and the future of the neoliberal model into question. But the congressional election of old-time populist Víctor Paz Estenssoro failed to quash the surge of neoliberal thinking, contrary to the expectations of the

old guard of the MNR. Having fathered the growth of the Bolivian state, Víctor Paz Estenssoro concluded that it was time to dismantle the *modelo movimientista*. Disappointed with the work of his in-house MNR economic team headed by Guillermo Bedregal, Paz launched a frantic effort after his election in August 1985 to devise a coherent economic program. He assembled an emergency economic team that included Juan Cariaga, an economist and political independent who had participated in the ADN-Harvard seminar. Heading the emergency team was another leader of the grupo consultivo of the CEPB, Gonzalo Sánchez de Lozada. A major stockholder in one of the largest privately owned mining firms in the country, Sánchez de Lozada had been elected to the Senate from the MNR list. After seventeen days of meetings, the team emerged with a plan that, according to ADN leaders, was even more orthodox than the Harvard program.²⁰ Issued as Executive Decree 21060, the program prescribed salary austerity, drastic budget reductions, a uniform tariff, and a radical restructuring of the public sector.

In Peru the turn toward orthodoxy begun by the Morales Bermúdez government set the stage for the appearance of a neoliberal cadre accompanying Belaúnde. Under Morales Bermúdez, a new team of U.S.-trained, market-oriented economists replaced the ECLA-trained state-interventionists who had managed the economy under Velasco.²¹ Bowing to pressures from the International Monetary Fund and international creditors, they undertook a stabilization program in which economic orthodoxy was enshrined as the new approach to economic policy-making. The new conservatism was welcomed by the Peruvian private sector, which had felt assaulted by the reforms of the Velasco government. Thus even before Belaúnde's election, an ideological swing took place at the elite level that was conducive to developing a neoliberal project.

The neoliberal teams that came to office as a result of elections differed in two respects: the character of the ties between the team and key groupings of domestic capital, and the ideological mix inside the teams between soft-line pragmatists and more ideologically driven hard-liners. In Ecuador and Bolivia, the economic teams included individuals with interests in domestic fixed investments as well as those with ties to finance capital. The Ecuadorean team was composed of policymakers with close ties to commercial, financial, and agro-export activities in Guayaquil. Six of Febres Cordero's cabinet ministers had held high-level positions inside the Banco del Pacífico, the bank associated with the Noboa group enterprises. The Ministers of Labor and Industry had been longtime advisors to the chambers of industry. In Bolivia the key managers of the neoliberal project were Gonzalo Sánchez de Lozada and Juan Cariaga, who took over the planning and finance ministries respectively in the January 1986 cabinet shuffle. Sánchez de Lozada was a principal stockholder in one of the largest private mining companies, COMSUR;

and Cariaga had held an executive position in the Banco de Santa Cruz prior to his appointment. In Peru, however, the ties between Belaúnde's neoliberal team and domestic capitalists were somewhat weak. Cabinet officers like Finance Minister Manuel Ulloa and his successor, Carlos Rodríguez Pastor, along with Minister of Mining Pedro Pablo Kuczynski had spent their years in exile working in international finance. The international and technocratic slant of the team was reinforced by the appointments of Richard Webb as head of the Banco Central and Roberto Abusada as Vice-Minister of Commerce. Both had earned doctorates in economics in the United States and had worked previously in the state bureaucracy and the World Bank.²² Consequently, there was less natural affinity between the Belaúnde team and important fractions of Peruvian domestic capital. In contrast, the ties between the Ecuadorean team and industrialists were pivotal to the development of a bargaining process that moderated the application of neoliberal principles, especially in regard to tariff policy. In Bolivia the economic team's links to mining disposed it toward policies that would promote a commodity-exporting model.

But the relationships that developed between business and the "boys" were not solely a function of social ties and overlapping economic interests. The neoliberal teams were not simple "instruments" of fractions of national or international capital. Rather, the policies developed by these teams were an amalgam of ideology and interests. They reflected each team's special interpretation of its country's economic ills, which were colored by the experiences and interests of the policymakers and the strength of their commitment to neoliberal values.

DIAGNOSING THE "ILLNESS": INTERPRETATIONS AND PRIORITIES

While Bolivia, Ecuador, and Peru shared similar structural problems in their economies, the immediate economic conditions facing each of the neoliberal teams when they came to power differed somewhat. These differences in short-run economic problems affected the approaches adopted by the teams along with the pace and sequencing of policy.

Whereas Bolivian and Ecuadorean neoliberalism was undertaken in a crisis atmosphere, a short-term boom in prices for Peruvian mineral products and growth in nontraditional exports created a balance-of-payments surplus as Belaúnde entered office in 1980. This accumulation of foreign-exchange reserves became the obsession of the economic team headed by the Minister of Finance and Prime Minister, Manuel Ulloa. Indeed, the team's fixation on this issue, coupled with an adherence to a demand-pull view of inflation, became the driving force in formulating economic policy.²³ Convinced that the foreign-exchange situation would fuel massive inflation, Ulloa declared that economic policy would be designed to "burn up" the reserves. Import and export policies were the

vehicles chosen for disposing of the reserves. Import controls that had provided high levels of protection for domestic industry were dismantled. In January 1981, the maximum tariff was reduced from 60 percent to 35 percent, and then to 32 percent. This tactic was accompanied by a reduction of subsidies to nontraditional export activities.

Adhering to monetarist orthodoxy, the Peruvian team sought to rid the economy of what it viewed as the distortions induced by state control. The team conceptualized problems in the Peruvian economy as a question of "getting the prices right." To that end, subsidies on food and gasoline were suspended and interest rates were allowed to rise. In line with the push to revitalize the market and reduce the role of the state, Belaúnde relaxed regulation on foreign investment and announced plans to privatize state enterprises.

Nevertheless, the biggest political constraint on rolling back the state and efficient monetarist management came from inside the administration—in the person of President Fernando Belaúnde himself. Indeed, Belaúnde's eccentricities and personal political priorities generated serious contradictions for his team's attempts to apply neoliberal principles consistently.

Belaúnde's commitment to neoliberalism was not ideological but highly instrumental. His decision to organize a neoliberal team was determined largely by his desire to cultivate good relations with international lending institutions like the World Bank and the International Monetary Fund. Belaúnde's real priority was to continue with the program of public construction of roads and housing that he had begun during his first term in office.²⁴ Because of this goal, Belaúnde sought to establish an economic team that would act as a bridge to lending institutions for financing such projects. Given that agenda and the team members' long-standing connections to international finance, it was not surprising that Belaúnde's economic team echoed the monetarist prescriptions advocated by such institutions. The irony of the situation sprung from Belaúnde's refusal to abide by his own team's prescriptions for reducing government spending. Policy battles developed within the economic team as Banco Central Director Richard Webb attempted to restrain Belaúnde's spending while Prime Minister Ulloa obligingly contracted foreign debts to underwrite the expenditures. The effects of this eccentric brand of neoliberalism were disastrous. By the end of 1982, the cumulative effects of the policies produced a fiscal crisis. The foreign reserves had been "burned," the treasury was drained, and export prices had turned downward. The efforts to "get the prices right" only fueled domestic inflation. Industries went bankrupt in the face of unrestricted imports and a credit crunch, and the government's tax base eroded. Belated efforts in 1983 to stem the tide of government expenditures succeeded only in turning the recession into a full-blown depression.

The neoliberal team in Ecuador came to power under fundamentally different economic circumstances than their Peruvian counterparts, and this setting affected the unfolding of the neoliberal model. By 1984 the petroleum boom was clearly over, as international prices fell and Ecuador's external debt mounted. Like their Peruvian counterparts, the Ecuadorean team members shared the conviction that their economy was "distorted" by erroneous monetary policies and excessive government intervention. Yet Ecuador's overall economic condition—especially its weakened foreign-exchange position—encouraged a more moderate approach regarding the dismantling of protective tariffs. Later on, the lobbying of industrial interest groups and the administration's own linkages to those groups reinforced the team's predisposition toward a moderate tariff reform.

This gradualist approach characterized much of Ecuadorean neoliberalism. It was evident in the management of exchange-rate policies: the administration undertook reforms over a two-year period that finally culminated in a flotation of the exchange rate for business transactions in August 1986. All three of the key policymakers (Emanuel, Dahik, and Swett) held firmly to the conviction that the Ecuadorean economy could not withstand a more radical "shock treatment" approach. In a 1985 speech, Emanuel made the commitment to gradualism explicit:

Since August 10, 1984, when the new government came into power, the main thrust of economic policymaking has been a gradual elimination of distortions and rigidities that have prevailed in the Ecuadorean economy for years, and a shift to free market mechanisms gradually. . . . We stress the word "gradual" because we do not adhere to sudden and significant shifts in economic policies that could cause additional disruptions and problems in the Ecuadorean economy, as has happened in several Latin American countries that opted for a shock treatment of their economies instead of gradualism.²⁵

Without doubt, the most Manichean version of neoliberalism emerged in Bolivia. Given the fact that the Bolivian economy was even more severely troubled than that of Ecuador or Peru, it is not surprising that policymakers concluded that drastic measures had to be taken. It is important to appreciate the profundity of the Bolivian crisis in order to understand how policymakers arrived at a consensus favoring a "radical" neoliberal response.

By 1985 the proportions of the Bolivian crisis had become unprecedented even by Latin American standards. Economic indicators reflected the depth of the crisis: growth rates were negative, real salaries dramatically deteriorated, and inflation reached 8,000 percent by 1985. A full discussion of the origins of this crisis is beyond the scope of this article, but the deterioration of the Bolivian economy in the early 1980s can be traced to basic structural problems (such as Bolivia's heavy reliance on mineral exports and falling international prices) and poor economic man-

agement by the governments of the period. Coming to power in 1982 in an unwieldy leftist political coalition, President Siles Zuazo could never successfully impose a stabilization program, and domestic inflation flew out of control. Social conflict was a correlate of the economic chaos that took place under Siles Zuazo. Strike activity, business lockouts, and regional *paros cívicos* (civil strikes) fueled the crisis atmosphere. The disruption extended into the public sector, where even institutions like the Banco Central were paralyzed by strikes.²⁶ Unlike Ecuador and Peru, the circumstances that prevailed in Bolivia prior to the installation of the neoliberal project closely resembled what Guillermo O'Donnell has described as a "crisis of social domination," a situation in which threat from below menaces the viability of the capitalist system as a whole.²⁷

In analyzing the economic crisis, Paz's neoliberal team concluded that disintegration of state authority was the cause underlying much of Bolivia's ills. Minister of Planning Sánchez de Lozada declared the new economic policies to be "more than a strictly economic program." He dubbed them a "political plan." In explaining the rationale and severity of Decree 21060, Sánchez de Lozada set forth the team's perspective on the state:

One comes to the conclusion that the state is practically destroyed. The fundamental institutions of the state's productive apparatus have been feudalized, corruption has been generalized and is being institutionalized, and the mechanisms of control and oversight have stopped operating. In this context, the state is unarmed and lacks the capacity to execute and implement any economic policy that the government proposes to put into practice. Therefore, the first political goal consists of reestablishing the authority of the state over society.²⁸

For the Paz government, neoliberalism became the pivotal element in reconstituting the power of the national state. Prescriptions were posed as the means to end the massive corruption eroding the state's legitimacy and efficacy. There were two dimensions to the neoliberal war against corruption: elimination of "opportunities" for corruption through reduction of the role of the state and a renewed reliance on market mechanisms (for example, a drastic restructuring of the state-owned mining company, COMIBOL, and price decontrols); and more efficient regulation of state enterprises and agencies through budget reduction and tax reforms.

The depth of the 1985 economic crisis in Bolivia and the subjective interpretation of the crisis as rooted in the disintegration of state power disposed the economic team to a rapid and strict application of the neoliberal model. In the meetings preceding the enactment of Decree 21060, Paz voiced his support for a shock treatment approach and a tight sequencing of the key measures. He argued that from a political perspective, it made sense to take the tough measures all at once.²⁹ Because neoliberalism was conceptually intertwined with the idea of "restoring the dignity of the state," the team came to regard the economic model as a

sign of political will and any deviation from the original model as an impermissible expression of weakness. Any notion that economic policy could be an arena of pluralist politicking and compromise was severely undercut by the team's equation of neoliberalism with the battle to reconstitute state authority. Conversely, to defend the model was to defend a renewed state from rapacious groups in civil society.

In all three countries, the scope, pacing, and sequencing of neoliberal policies reflected the particular team's analysis of the economic *coyuntura* and its mentality, especially the extent of its collective commitment to orthodox monetarism. In Peru President Belaúnde's reluctance to curb expenditures directly undercut his team's efforts at monetarist management. This lack of consensus within the economic team produced a strange hybrid of populist and neoliberal policies. At the other end of the spectrum in Bolivia, a deep and enduring consensus on the need for radical neoliberalism kept President Paz and his cadre of policymakers working together.

Notwithstanding the differences in the application of neoliberal policies, the mentalities of all three economic teams demonstrated a common view as to how economic decision making should be structured. The "boys" viewed economic decisions as largely technical in nature. As such, they believed, these decisions should not be subjected to bargaining and politicking. This highly technocratic and exclusive approach adopted by the economic teams thus rendered futile much of the lobbying efforts of business interest groups and parties.

Certainly, exclusionary policy styles are not unique to neoliberal economic teams. In fact, this policy style can be perceived as part of a well-ingrained tradition of centralized executive power—a pattern reinforced by the authoritarian military regimes of the 1970s. Moreover, as Theodore Lowi once suggested, a natural affinity may exist between certain policy spheres and particular kinds of decision-making processes.³⁰ In the advanced capitalist democracies, monetary policy is routinely sealed off from direct legislative interference and electoral politics. What is important about the exclusionary approach of the neoliberal teams in Peru, Ecuador, and Bolivia was how that perspective coincided with their generalized disdain for civil society and the state. The resulting mental intransigence enveloped the economic teams and clouded their receptivity to alternatives proposed by persons outside the teams.

Alternatives to neoliberalism were posed by popular-class organizations and segments of the bourgeoisie adversely affected by some neoliberal measures. In all three countries, the industrial bourgeoisie emerged as the key elite opposing a strict application of neoliberalism. Belaúnde's policies managed to alienate Peruvian industrialists, who were shattered by the rapid application of the low uniform tariff, along with exporters of nontraditional products, who were deprived of export subsidies. This

outcome transformed their two representative groups, the Sociedad Industrial and the Asociación de Exportaciones, into active opponents of Belaúnde's brand of neoliberalism. In Bolivia business opposition included industrialists and Santa Cruz agro-industrialists and exporters, who felt the brunt of competition and the government's tight money policies. These groups mobilized independently through the Cámara Nacional de Industrias and the Cámara Agropecuaria del Oriente. These groups also used the Confederación de Empresarios Privados to lobby the government. Following the Febres Cordero election in Ecuador, the regional chambers of industry poised to monitor the economic team's deliberations of the tariff issue.

How were the neoliberal teams able to apply their initial prescriptions in the face of societal opposition that included important segments of the business community? The power to implement the programs was not simply a function of the mental toughness of the teams. Institutional and political factors permitted the insulation of the economic teams from direct societal pressures. The institutional powers of the executive branch and the political coalition backing neoliberalism operated to undercut opposition forces. At the same time, bourgeois and popular opposition was weakened by internal organizational problems and their own economic positions.

POWER AND THE OPPOSITION

The ability of the neoliberal teams to act on their ideas about reorganizing these economies was closely tied to their extraordinary institutional powers and to specific political situations that gave them great leeway in exercising those powers. Adroit legal maneuverings, party pacts, and coercion combined to allow the neoliberal teams to either defuse or ignore the efforts of opposition groups at altering the course of economic policy.

The revised constitutions of all three countries gave highly centralized decision-making powers to the executive branch of government. The legal powers allotted to presidents allowed their economic teams to develop and enact economic policy without consulting the legislatures. The Peruvian constitution provided two routes for executive domination of economic policy. Article 211 gave the president the power to issue executive orders on economic matters when necessitated by the "national interest." The constitution also allowed the congress to delegate legislative functions to the executive for any period of time designated by the legislature. In Ecuador and Bolivia, economic policy could be enacted similarly via executive decrees.

In all three countries, the core components of the neoliberal experiments were enacted through executive decrees. In Ecuador the Febres

Cordero government issued twenty-six "urgent" economic decrees between 1984 and 1985 that encompassed a range of policies central to the neoliberal project.³¹ Among the decrees were laws moderating the minimum wage increases passed by Congress, measures facilitating foreign investment, and the deregulation of exchange and interest rates. Executive power was also exercised to a pronounced degree by the Belaúnde administration in Peru. Of the 675 laws publicly promulgated between 1980 and 1984, 463 were issued by the executive branch. Within it, the largest number of decrees were generated by the Ministry of Economy and Finance.³² The import liberalization measure was taken via executive decree as were budget modifications and Belaúnde's populist social programs. In Bolivia the Paz government continued a *paquete* (package) approach to economic policy by issuing all the key policies of the neoliberal model in a single executive decree, D.S. 21060.

While the legal hegemony of the executive over economic decision making was nearly complete, the legislatures nevertheless retained some margin of intervention through their constitutionally prescribed participation in the budgetary process and the exercise of oversight functions, particularly their powers of interpellation. But in order to insure that the three congresses did not emerge as obstacles to neoliberalism, the Belaúnde, Paz, and Febres Cordero administrations all made political deals to stave off legislative opposition. In Peru Belaúnde struck a pact between his own Acción Popular (AP) and the right-wing Partido Popular Cristiano (PPC). This agreement created a legislative majority that voted to give Belaúnde broad discretionary powers. Paz Estenssoro put together a legislative majority in Bolivia with the "Pacto por la Democracia." The pact joined Paz's segment of the MNR with Hugo Banzer's ADN. In exchange for ADN support for the government's economic initiatives, Paz allotted the ADN control over some government agencies and agreed to ADN plans to push through electoral reforms in congress.

Executive-legislative relations proved to be more problematic in Ecuador, where opposition parties constituted a clear majority and banded together into the Bloque Progresista for purposes of opposing neoliberalism. The response of the Febres Cordero government to this opposition assumed two forms. First, the administration sought to undermine the Bloque Progresista majority by inducing individual congressional members to desert their parties and by striking alliances with two "independent" populist parties, the Concentración de Fuerzas Populares (CFP) and the Frente Radical Alfarista (FRA). This tactic achieved some success in eroding the Bloque Progresista and resulted in the formation of a pro-government congressional majority in 1985–86. Midterm elections, however, returned an anti-government majority to power in August 1986. A second tactic involved aggressive legal and procedural challenges of congressional action by the administration. Sometimes, congressional pro-

nouncements were simply ignored altogether. Because the powers of the executive, legislative, and judicial branches were still ill-defined, the government was able to take advantage of the murky legal environment to pursue its policies. A case in point was the congressional censure of Finance Minister Alberto Dahik, a major neoliberal strategist. Dahik resigned his cabinet post in September 1986 after Congress censured him for his role in the August currency flotation, but he continued in the administration as a key advisory member of the economic team. Both Dahik and Central Bank Director Carlos Julio Emanuel reported that despite the congressional censure of the minister and the government's economic program, Febres Cordero never considered altering the economic model. Emanuel underscored the government's commitment to neoliberalism and its skepticism regarding congressional powers:

Economic policy in this country is conducted by the President. He's the one who is convinced on the economic liberalization. He's the one who is convinced of the direction of economic policy. It is not Dahik, Swett, or myself who came up with these ideas, and we simply presented them to the President No, it's him. Not the least bit, not for a second, not at all did we think of changing economic policy because that thing [Dahik's censure] was political. And the argument of the government was that the impeachment of Dahik was unconstitutional.³³

The political deals cut between the governments and the parties effectively subordinated both congress and the party system itself. The deals were based on old-fashioned clientelism: support for the government was reciprocated by jobs and patronage. But access to or influence over economic policymakers was not part of the understanding. In exchange for cooperating with the government, the Peruvian PPC picked up ministerial positions while the Bolivian ADN took over posts in state enterprises. The parties in Febres Cordero's coalition were given control over a few state agencies and ministries. But in all three countries, traditional party elites were conspicuously absent from most of the key economic posts. This marginalization of the parties was vigorously advocated by the neoliberal technocrats, who viewed party leaders as technically incompetent and feared that their participation would undermine the goal of retracting state involvement in the economy.

The marginalization of parties and legislatures narrowed the range of tactical options open to opposition groups as they attempted to alter the neoliberal projects. Intense direct lobbying of the executive branch was the route adopted by the business opposition. The efforts of these groups largely revolved around mounting technical critiques to discredit the neoliberal measures. Given the inflexible mentalities that permeated these economic teams, most such lobbying efforts failed. One leader of the Bolivian *Cámara de Industria* affirmed that his organization could get appointments and have regular conversations but still could get nowhere:

"Look, Bolivia is a very small country where we all get together to talk. We're friends of the ministers, for one or another reason, and of the undersecretaries. So it isn't difficult. Nevertheless, although it might not be difficult to talk, they tell us—very cordially and in a very friendly way—that this is the model. So you could have a meeting once a week, but once a week they will tell you the same thing: 'The economic policy is this and we aren't going to change it!'"³⁴

Nonetheless, it is important to note that the freeze on bargaining was not uniform across all three cases. The Ecuadorean experience demonstrates how a pragmatic neoliberalism developed that allowed for a limited bargaining process between the economic team and the industrial bourgeoisie.

A number of factors converged to produce a bargaining process over tariff liberalization in Ecuador. First, Febres Cordero himself had long-standing ties to the industrial sector. In addition to managing major industrial firms, he had served as both president of the *Cámara de Industrias de Guayaquil* and president of the *Federación Nacional de Cámaras de Industrias del Ecuador*. He was therefore intimately acquainted with the state of Ecuadorean industry and with industrialists' fears of a brusque dismantling of protectionism. Second, Febres Cordero played an active role in the deliberations of his economic team, whose members readily acknowledged his technical competence in economic matters and his sensitivity to political constraints in making economic policy. Thus in contrast to the Paz and Belaúnde governments, whose presidents were unconnected to and unconcerned with industry, Febres Cordero was in a position to mediate between the protectionist demands of industrialists and the liberalizing proclivities of his economic technocrats. His goodwill toward industry was reflected in his appointment of Xavier Neira as Minister of Industry. A longtime functionary at the *Cámara de Industrias de Guayaquil*, Neira was sympathetic to the claims of industry. He became the government's chief negotiator on tariff issues. Thus, rather than having to deal with the more ideologically driven technocrats, the industrial lobby engaged in a long process of negotiation directed by Neira. Third, the priorities of the economic team and their commitment to gradualism coincided with the sympathetic stances of Neira and Febres Cordero. At the beginning of the tariff negotiations in 1984, Minister of Finance Francisco Swett concluded that Ecuador's foreign exchange reserves were low, and he was in no hurry to "burn up" the exchange, unlike Manuel Ulloa in Peru. Moreover, Swett viewed tariffs as a policy area that naturally lent itself to negotiations and compromises, albeit those that did not necessarily undermine the integrity of the neoliberal model as a whole.

In contrast to Ecuador, conditions in Bolivia were not conducive to the development of tariff negotiations between business groups and the

economic team. As a generator of wealth and employment, Bolivian industry occupied a much weaker position than its Ecuadorean counterpart. On the whole, the largest *grupos económicos* in Bolivia did not diversify into industry in the 1960s and 1970s, as did groups in Ecuador.³⁵ Finance, agriculture, and mining were the preferred activities of the major economic groups. The marginal position of industry in the Bolivian economy is reflected in statistics on industrial production, growth, and employment. In the 1970s, Bolivian manufacturing industries employed a mere 3 percent of the economically active population, as compared with nearly 12 percent in Ecuador.³⁶ In the early 1980s, industrial manufacturing accounted for 12 percent of Bolivia's gross domestic product (GDP), while the contribution of Ecuadorean industrial manufacturing stood at 19 percent. Moreover, the position of Bolivia's manufacturing industries deteriorated during the economic crisis of the 1980s. By 1985 its contribution to GDP rolled back to 9.8 percent. Ecuadorean industries also felt the crisis, but their contribution to GDP remained substantial at 17.3 percent in 1985.³⁷ Thus Bolivia's manufacturing industries were simply less central to the economy and therefore could be disregarded more easily by the neoliberal team.

The structural weakness of the industrial sector left Bolivian industrialists little potential threat to wield in lobbying the economic team. In the aftermath of the economic crisis under Siles Zuazo, business groups like the Cámara Nacional de Industrias de Bolivia and the Cámara Agropecuaria del Oriente found themselves in a peculiar position. On one hand, they felt it desirable to endorse the "universal economic principles" of neoliberalism and to support the anti-inflationary measures of D.S. 21060.³⁸ On the other hand, they were clearly going to be disadvantaged by the tariff liberalization and tight money policies. They nevertheless felt constrained in mobilizing against the economic package. The mixed emotions provoked by neoliberalism thus diluted the character of business opposition and made a concerted mobilization against the measures impossible. In contrast to the confusion within the business community, Paz and his neoliberal team maintained a united front and a "no compromise" attitude.

Like business opposition, popular opposition to neoliberalism in all three countries was stunted by a combination of internal weaknesses within the movements and the enormous institutional and political powers accrued by the neoliberal teams. Moreover, popular opposition was frequently subject to repression. Whatever the "democratic" commitments of these particular administrations, commitments to procedural democracy were delimited by the desires to implement neoliberalism. When deemed necessary, repressive measures were used to enforce the model against trade union resistance. The most evident use of repression occurred in Bolivia immediately following the enactment of D.S. 21060 in

August 1985. To overcome opposition by the Central Obrera Boliviana (COB), Paz declared a "state of siege" with congressional approval. This step allowed him to send hundreds of COB leaders into "internal exile." Although the "state of siege" was removed by November and exiled leaders were permitted to return, force continued to be applied to thwart trade-union opposition. In August 1986, a massive protest movement calling itself *La Marcha por la Vida*, which was led by unemployed miners, was physically barred by the army from entering La Paz.

In Ecuador the Febres Cordero administration responded aggressively to national strikes called by the Frente Unitario de Trabajadores (FUT), the united front of the major trade unions. The strikes were called to protest various aspects of the neoliberal program and resulted in clashes with the police and the army. The FUT also charged the government with organizing paramilitary groups to attack demonstrators; similar charges were leveled by opposition party leaders and human rights activists. Nor was the use of violence in Ecuador confined to the government's dealings with trade unions. During its chronic confrontations with the congress, the government used police and party supporters to disrupt legislative sessions physically. During the censure proceedings against Finance Minister Dahik in September 1986, the national police actually teargassed the Ecuadorean Congress.

Repression was not the only element undermining the development of trade-union opposition. In all three countries, the growing economic marginality of the traditional working class undercut the power of trade unions and their anti-neoliberal mobilizations. When the informal sector of the economy expands, trade unions are left with a stagnant or shrinking constituency—a fact taken into account by the neoliberal economic teams. Alejandro Portes estimates that urban informal workers constitute 40 percent and 56 percent of the nonagricultural labor force in Peru and Bolivia respectively. In Ecuador an estimated 52 percent of the urban population is employed in the informal sector of the economy.³⁹

Moreover, the availability of opportunities in the informal sector and its attractiveness in terms of earning potential and working conditions had important ramifications for trade-union opposition to neoliberalism. Jorge Parodi's insightful work on Peru underscores how traditional workers rely on the informal sector for supplementary income and see it as providing a potentially permanent exit from factory life.⁴⁰ According to Parodi, this perspective affected trade-union strategy during the Belaúnde period: instead of resisting the wage ceilings set by the neoliberal team and protesting the production cutbacks caused by trade liberalization, trade-union members became much more concerned with negotiating severance payments that would give them the capital to start an informal business.⁴¹ Similarly in Bolivia, the severance payments made to miners affected by the closing of state-owned mines defused

some of the resistance to the cutbacks. In short, the informal sector cushioned the effects of neoliberalism. Just as peasants with control over land retreat into subsistence in times of economic hardship, workers found an outlet in the informal sector during the hardships of neoliberalism.

Given these divisions within business and labor sectors, the opposition that did emerge in Bolivia and Peru was highly fragmented. Industrialists raised their voices against tariff liberalization but endorsed other elements of the neoliberal program, especially the promotion of "business" values. Meanwhile, disaffected and disadvantaged entrepreneurs made no effort to band together with labor opposition to jettison the model.⁴²

THE POLITICS OF NEOLIBERALISM

As in the earlier Southern Cone experiments, neoliberal economics surfaced in the central Andes in conjunction with political mobilization and an ideological renaissance on the right. In all three countries, domestic business interest groups ardently advocated the politico-ideological transformations that were implicit in neoliberal economic thinking. The ideas of curbing state power and reinstating market mechanisms were appealing to business groups that had chafed under the statism of military regimes. Also, the restrictions on state power and the unleashing of market mechanisms held out the promise of further reducing the power of labor movements. On the ideological level, neoliberalism enjoyed an across-the-board appeal among entrepreneurs. Moreover, business fears of lack of access to policymakers receded with the installation of democratic regimes. The new political arrangements appeared to offer business lobbies new avenues of influence in the policy-making process.

Problems nevertheless arose when neoliberalism shed its status as a vague set of principles and was translated by government economic teams into concrete policies. Some of these policies worked to the disadvantage of business, especially industries that relied on protectionism and subsidies. Moreover, the policy conflicts that took place between business and the "boys" were often embittered by the exclusionary style adopted by the teams. Rather than perceiving business as a natural ally, teams looked upon entrepreneurs as part of the corrupt system that they were trying to eradicate by means of market discipline. As such, business was kept at bay during the formulation of economic policy.

Our comparative case studies highlight the domestic coalition dynamics at work in the genesis of these neoliberal experiments. In all three cases, neoliberalism emerged as an economic and political project supported by a loose coalition of right-wing parties and business interest groups. It represented a renewed ideological offensive by these forces in

the wake of their frustrating experiences under authoritarianism. Their electoral victories and the neoliberal policies that followed were facilitated by the political fragmentation among opposition parties and the weak position of other groups such as trade unions.

Second, our study underscores the importance of understanding how the broader perceptions of the economic team impinge on the implementation of the model and the style of the decision-making process. Economic policies are not simply shaped by the technical prescriptions that accompany the adoption of a particular economic model. These kinds of policies are also conditioned by the team's views of society and politics and its evaluation of what is politically feasible under certain circumstances. In short, economic teams can develop their own peculiar *mentalités* or interpretations of the world that include rational and affective elements. Such interpretations contributed to the policy-making style that evolved in the central Andes. With groups in civil society having been defined as the enemy, it was only natural that decision making would be structured as a highly exclusionary process. In their dealings with the public, the teams often assumed a triumphal style, depicting themselves as the heroic agents of profound structural transformations in their respective societies.⁴³

The key to the articulation of this triumphal style, however, was the fact that the teams were formed around strong executives who were willing and able to overcome the structural disjuncture between executive and legislative authority that had developed in these countries and to all but impose neoliberal economic packages. Indeed, the cost implications of neoliberal stabilizations called for executives capable of acting in a decidedly authoritarian mode, despite the formal democratic frameworks within which executive power was formulated and legitimated. In short, in all three cases we see the outlines of a hybrid form of government in which a formal democratic façade masks a real authoritarian bent, especially in the area of economic policy.

Whether or not lasting changes will emanate from these experiments remains an open question. In all three cases, the neoliberal projects were defused toward the end of each government's term in office as political conditions changed and the economic results of the model proved unsatisfactory. For those interested in the future of Latin American politics and economics, the Southern Cone and central Andean experiments may become yet another installment in a long-standing cyclical trade-off between populism and antipopulism. But will civilian-administered neoliberalism be permanently entrenched as the alternative to democratic heterodoxy? Our analysis suggests that the answer to the question may depend on the ability of domestic neoliberal policy coalitions to reassemble themselves periodically under shifting circumstances and on the capacity of neoliberal technocrats to stave off the forces of civil society.

NOTES

To assure the anonymity of our business informants, material taken from the personal interviews conducted by the authors is cited only by date, location, and institutional affiliation. Names of informants have been included in the citations only in cases where they are public figures whose views are already a matter of public record.

1. We are using the term *neoliberal* to denote economic policies that combine orthodox stabilization measures with a long-term commitment to restructuring the economy by reducing the role of the state and subjecting economic activity to market forces. This is the definition developed by Alejandro Foxley in *Latin American Experiments in Neoconservative Economics* (Berkeley and Los Angeles: University of California Press, 1983), 15–17. Foxley himself preferred to use *neoconservative* rather than the Spanish *neoliberal* for his English-speaking readers. For more discussion of these policies, see Joseph Ramos, *Neoconservative Economics in the Southern Cone of Latin America* (Baltimore, Md.: Johns Hopkins University Press, 1986).
2. For policy-making studies that focus on the role of domestic coalitions in Western Europe, see Peter Gourevitch, *Politics in Hard Times: Comparative Responses to International Economic Crises* (Ithaca, N.Y.: Cornell University Press, 1986); Kerry Schodt, "The Rise of Keynesian Economics: Britain 1940–1964," in *States and Societies*, edited by David Held (New York: New York University Press, 1983); and Peter Katzenstein, *Corporatism and Change: Austria, Switzerland, and the Politics of Industry* (Ithaca, N.Y.: Cornell University Press, 1984). See also Katzenstein's *Small States in World Markets: Industrial Policy in Europe* (Ithaca, N.Y.: Cornell University Press, 1985).
3. The name "Chicago boys" was first used widely to describe the members of the orthodox economic team of the early years of the Pinochet regime in Chile, technocrats who were influenced by the monetarist doctrines advocated by faculty in the Department of Economics of the University of Chicago. Ironically, although the neoliberal technocrats of the central Andean countries were often referred to as "Chicago boys" by their critics, none of them trained at or associated with the University of Chicago economics department. The Bolivian Minister of Planning, Gonzalo Sánchez de Lozada, did attend Chicago as an undergraduate, but he studied philosophy and literature.
4. For a discussion of business anxiety in the case of the United States, see David Vogel, "Why Businessmen Distrust Their State: The Political Consciousness of American Corporate Executives," *British Journal of Political Science* 8, no. 1 (Jan. 1978):169–73.
5. Differences in the collection of national accounts statistics create difficulties in making quantitative assessments of the size of the state across the three countries. For one discussion, see Carlos Parodi, "State Growth in Bolivia, Ecuador, and Peru, 1970–78," unpublished research note, Department of Political Science, University of Pittsburgh, 1988. Country case studies, however, confirm that the relative size of the state increased in all three countries during the 1970s. See E. V. K. Fitzgerald, *The Political Economy of Peru, 1956–1978* (London: Cambridge University Press, 1979), 142–216; David Schodt, "The Ecuadorian Public Sector during the Petroleum Period: 1972–1983," Technical Papers Series, no. 52 (Austin: University of Texas, Office for Public Sector Studies and Institute of Latin American Studies, 1986); L. Enrique García-Rodríguez, "Structural Change and Development Policy in Bolivia," in *Modern-Day Bolivia: Legacy of Revolution and Prospects for the Future*, edited by Jerry R. Ladman (Tempe: Center for Latin American Studies, Arizona State University, 1982), 165–92; and Jerry R. Ladman, "The Political Economy of the 'Economic Miracle' of the Banzer Regime," in *Modern-Day Bolivia*, 321–44.
6. For further discussion of the character of these military regimes, see *The Peruvian Experiment Revisited*, edited by Abraham Lowenthal and Cynthia McClintock (Princeton, N.J.: Princeton University Press, 1983); David Booth and Bernardo Sorj, *Military Reformism and Social Classes: The Peruvian Experiment, 1968–1980* (New York: St. Martin's Press, 1983); James Malloy and Eduardo Gamarra, *Revolution and Reaction: Bolivia, 1964–1985* (New Brunswick, N.J.: Transaction, 1988); and Catherine M. Conaghan, *Restructuring Domination: Industrialists and the State in Ecuador* (Pittsburgh, Pa.: University of Pittsburgh Press, 1988).
7. Interview with an official of the Cámara de Industriales de Pichincha, 30 Jan. 1987, Quito.

8. The notion of a "stealthy policy style" is taken from Cynthia McClintock, "Velasco, Officers, and Citizens," in *The Peruvian Experiment Reconsidered*, 275–308.
9. For a discussion of the Peruvian private sector and the formation of CONFIEP, see Francisco Durand, *Los empresarios y la concertación* (Lima: Fundación Friedrich Ebert, 1987). Further discussion of the character of the industrial class can be found in Anthony Ferner, *La burguesía industrial en el desarrollo peruano* (Lima: Editorial Esan, 1982).
10. For examples of the surge in antistatist discourse in the case of Bolivia, see Cámara de Industrias y Comercio de Santa Cruz, *El estado empresario: fracaso de un modelo*, a pamphlet published in Santa Cruz in July 1982. On Ecuador, see the speeches by business leaders in *Guayaquil frente al futuro* (Guayaquil: Banco de Guayaquil, 1973).
11. Interview with an official of the Confederación de Empresarios Privados, 20 Feb. 1986, La Paz.
12. For the original work on the disjunction between ideology and policy preferences, see James Prothro and Charles Griggs, "Fundamental Principles of Democracy: Bases of Agreement and Disagreement," *Journal of Politics*, no. 2 (May 1960):276–94; and Herbert McClosky, "Consensus and Ideology in American Politics," *American Political Science Review* 58, no. 2 (June 1964):361–82.
13. For a discussion of how the "judicious retreat" of the state was part of the process of state-building in the nineteenth century, see Raymond Grew, "The Nineteenth-Century European State," in *Statemaking and Social Movements*, edited by Charles Bright and Susan Harding (Ann Arbor: University of Michigan Press, 1984), 83–120.
14. Eduardo Gamarra, "Between Constitutional and Traditional Coups: The Bolivian Elections of 1985," mimeo, Florida International University, 1985.
15. Febres Cordero's economic program was presented in a public forum organized by the Cámara de Industrias de Pichincha. The event was described in "Fortalecer el mercado: Febres Cordero," *Hoy*, 19 Apr. 1984, p. 2–A.
16. For a discussion of the lack of ideological shift and the Reagan victories, see Thomas Ferguson and Joel Rogers, *Right Turn: The Decline of the Democrats and the Future of American Politics* (New York: Hill and Wang, 1986). Also see Morris Fiorina, "The Reagan Years: Turning to the Right or Groping toward the Middle," in *The Resurgence of Conservatism in Anglo-American Democracies*, edited by Barry Cooper, Allan Kornberg, and William Mishler (Durham, N.C.: Duke University Press, 1988), 430–60.
17. This discussion of the development of the neoliberal cadre in Ecuador draws on personal interviews with Alberto Dahik, Francisco Swett, and Carlos Julio Emanuel. The interviews took place in February 1987 in Quito and Guayaquil. The platform that Swett authored is entitled "Sinopsis de los lineamientos y principios del Plan de Gobierno de Ing. León Febres Cordero," mimeo, Guayaquil.
18. See "Cámaras confiar en el nuevo gobierno," *Hoy*, 8 May 1984.
19. Interview with an official of the Cámara de Industriales de Pichincha, 20 Jan. 1987, Quito.
20. While ADN leaders took to characterizing Paz's program as a "transfer of technology" from the ADN to the MNR, the government never had access to the ADN's actual plans. From an interview with Ronald Maclean, 17 Feb. 1986, La Paz. Although Cariaga participated in the Harvard seminar, he was excluded from later meetings with Sachs that drew up specific proposals. The ADN's "model" was never made public, and Sánchez de Lozada states that he was never given access to it. Interviews with Gonzalo Sánchez de Lozada, 22 Feb. 1986 and 29 May 1988, La Paz.
21. Daniel Schydowsky, "The Tragedy of Lost Opportunity in Peru," in *Latin American Political Economy: Financial Crisis and Political Change*, edited by Jonathan Hartlyn and Samuel A. Morley (Boulder, Colo.: Westview, 1986), 229.
22. The World Bank reportedly provided significant assistance in formulating the new economic project. See Jürgen Schuldt and Luis Abugattas, "Neoliberalismo y democracia en el Perú, 1980–85," in *Neoliberalismo y políticas económicas alternativas*, (Quito: Corporación de Estudios para el Desarrollo, 1987), 79–82. For further discussion of the economic team, see Francisco Durand, *Los industriales, el liberalismo y la democracia* (Lima: Fundación Friedrich Ebert, DESCO, 1984).
23. Schydowsky, "Tragedy of Lost Opportunity," 229.
24. For a description of how these same priorities dominated Belaúnde's first presidency, see Pedro Pablo Kuczynski, *Peruvian Democracy under Economic Stress: An Account of the*

- Belaúnde Administration, 1963–1968 (Princeton, N.J.: Princeton University Press, 1977). For a discussion of public expenditures under Belaúnde, see Patricia Wilson and Carol Wise, "The Regional Implications of Public Investment in Peru, 1968–1983," *LARR* 21, no. 2 (1986):93–116.
25. Carlos Julio Emanuel, *Current Economic Policy in Ecuador* (Quito: Banco Central del Ecuador, 1985), 12.
 26. For further discussion of the problems of economic management during the Siles Zuazo period, see Juan Antonio Morales, *Precios, salarios y política económica durante la alta inflación boliviana de 1982 a 1985* (La Paz: Instituto Latinoamericano de Investigaciones Sociales, n.d.); and Arturo Núñez del Prado, "Bolivia: inflación y democracia," *Pensamiento Iberoamericano*, no. 9 (1986):249–75. For a discussion of the labor difficulties, see María Isabel Arauco, "Los trabajadores del estado y del Banco Central de Bolivia," in *Crisis del sindicalismo en Bolivia* (La Paz: FLACSO-ILDIS, 1987), 175–200.
 27. See O'Donnell's discussion in *Bureaucratic-Authoritarianism: Argentina, 1966–1976, in Comparative Perspective*, translated by James McGuire (Berkeley and Los Angeles: University of California Press), 24–30.
 28. Gonzalo Sánchez de Lozada, "La nueva política económica," *Foro Económico* 5 (Sept. 1985):6.
 29. Interview with Sánchez de Lozada, Feb. 1986.
 30. The classic discussion of different "arenas" of public policy is found in Theodore Lowi, "American Business, Public Policy, Case-Studies, and Political Theory," *World Politics* 16 (1964):677–775.
 31. For a discussion of the use of economic emergency decrees in Ecuador, see León Roldós Aguilera, *El abuso del poder* (Quito: Editorial El Conejo, 1986).
 32. Enrique Bernaldes, *El parlamento por dentro* (Lima: DESCO, 1984), 81, 85.
 33. Interview with Carlos Julio Emanuel, 5 Feb. 1987, Quito.
 34. Interview with an official of the Cámara Nacional de Industrias, 12 Feb. 1987, La Paz.
 35. Susan Eckstein and Frances Hagopian, "The Limits of Industrialization in the Less Developed World: Bolivia," *Economic Development and Cultural Change* 32, no. 1 (Oct. 1983):81–86.
 36. *Statistical Abstract of Latin America*, vol. 22, edited by James W. Wilkie and Stephen Haber (Los Angeles: Latin American Center Publication, University of California, 1983), 175.
 37. Banco Central del Ecuador, *Memoria 1985*, 33.
 38. Interview with officials representing the Cámara Nacional de Industrias, 12 Feb. 1987, La Paz; the Asociación de Productores de Maíz y Sorgo, 18 Feb. 1987, Santa Cruz; and the Federación de Empresarios de Santa Cruz, 17 Feb. 1987, Santa Cruz.
 39. Alejandro Portes, "Latin American Class Structures," *LARR* 20, no. 3 (1985):23; and José Luis Ortiz, "El sector informal urbano," in Daniel Carbonetto et al., *El sector informal urbano en los países andinos* (Quito: ILDIS/CEPESIU, 1985), 108.
 40. Jorge Parodi, *Ser obrero es algo relativo* (Lima: DESCO, 1986).
 41. Jorge Parodi, "La desmovilización del sindicalismo industrial peruano en el segundo Belaúndismo," in *Movimientos sociales y crisis: el caso peruano*, edited by Eduardo Ballón (Lima: DESCO, 1986).
 42. The only instance of a combined business and popular mobilization occurred in Bolivia, where the powerful regional civic committee of Santa Cruz rallied local organizations in a civic strike in December 1986. The strike was called to protest the neoliberal team's plan to exert greater control over the finances of the state enterprise, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB). A percentage of profits from YPFB had been traditionally earmarked for the use of the department. The government ended the conflict with a compromise in March 1987. It is important to note that this cross-class resistance to the government's policy was highly specific and played on regionalism. It did not constitute a rejection of the neoliberal model as a whole.
 43. For a discussion of the distinctive style and culture that developed inside the neoliberal team headed by José Martínez de Hoz in Argentina, see Julie M. Taylor, "Technocracy and National Identity: Attitudes toward Economic Policy," in *From Military Rule to Liberal Democracy in Argentina*, edited by Monica Peralta-Ramos and Carlos H. Waisman (Boulder, Colo.: Westview, 1987), 131–46.