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# What Choices Do Democracies Have in Globalizing Economies? Technocratic Policy Making and Democratization

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This conference, organized under the UNRISD project on **Technocratic Policy Making and Democratization**, was held to discuss the constraints faced by new democracies as they become increasingly integrated into the world market. The conference attracted about 80 participants, drawn from international agencies, non-governmental organizations (NGOs), the diplomatic community and academic institutions.

Eighteen scholars and practitioners led discussions in four sessions: independent authorities and democratic accountability; economic reforms, democratization and social policy; civil society and technocratic governance; and economic policy making and parliamentary accountability. There was an opening keynote address focusing on financial globalization and democratization, and a closing keynote address on ways of strengthening democratic institutions in the era of globalization.

## Democracy or Technocracy?

Since the early 1990s, there has been a strong wave of democratization in most regions of the world. Most surveys on democratization record a sharp rise in the number of countries that can now be classified as democratic, even though the quality of democratic institutions is uneven across countries. Issues of representation, accountability and transparency have

become prominent on the agendas of citizen groups concerned with sound government and equitable development. Indeed, many international agencies now associate participation in decision making with effective public policies.

However, the global trend in democratization is being challenged by another trend that is gathering strength with globalization: the increasingly technocratic style that seems to inform the making of economic policy in many countries and in multilateral economic institutions generally. Financial globalization and the dominance of neoliberal ideas in multilateral financial institutions and the G-7 countries (Canada, France, Germany, Italy, Japan, the United Kingdom and the United States) are narrowing the choices in economic policy making to a limited set of objectives. Described in some circles as the “Washington Consensus”, these objectives can be summarized as conservative fiscal policies, privatization, and open trade and capital accounts, all of which reflect an acceptance of price stability as the primary concern of macroeconomic policy.

Pressure to standardize macroeconomic objectives encourages governments to restrict policy making to experts and insulate key economic institutions from democratic scrutiny. This may affect democratization in two ways. First, it may distort the structure of accountability by encouraging national authorities to be



more responsive to financial markets and multilateral institutions than to fledgling parliaments and citizens. Second, social policies, which were crucial in consolidating Western democracies, may be treated as residuals of macroeconomic policy, and democratization that does not conform to neoliberal economic orthodoxy dismissed as populism.

In his introductory remarks, Thandika Mkandawire warned of the dangers of these developments for the consolidation of democratic institutions. If citizens lose faith in the capacity of newly established democratic institutions to act as legitimate platforms for decisions that affect their lives, they may be tempted to question the value of democracy and seek solutions elsewhere.

However, as Sylvia Maxfield argued in her keynote speech, the links between technocratic policy making and democracy are not always conflictual. She addressed the complex ways different types of international investors influence the policy choices of governments and the consolidation of democratic institutions in emerging markets. The time horizons and preferences of foreign direct investors and stockholders may be different from those of commercial banks and bondholders, who seek high interest rates, conservative fiscal policies, and central bank independence.

International investors may act as a constraint on democratic institutions: when capital moves in and out of countries in volatile ways; when investors force policy makers in developing economies to raise interest rates to levels that will mirror changes in those of the advanced economies; and when developing countries cannot adopt reflationary policies in periods of recession for fear of provoking capital flight.

Investors whose choices encourage capital volatility are more likely to be bondholders than direct investors or stockholders. However, there are different types of bondholders: those who plan to hold the bond to maturity and those who do not; mutual fund managers who must redeem their capital on a quarterly basis and, thus, tend to have short-term horizons; hedge fund managers who tend to invest when bond prices are low; and local pension and insurance companies who invest with a long-term horizon.

Maxfield argued that changes in the structure of capital may help strengthen democratic institutions in several ways. First, trends toward liberalized bond and equity

markets may undermine oligopolistic corporate structures and make credit available to more groups of investors, with recent developments in Internet technology leading to a “democratization of capital markets”. Second, efforts by investors to overcome information deficiencies may lead to demands for transparency in public policies, reliable financial reporting and strong regulatory institutions. These are likely to have spillover effects on political institutions, such as election offices, the judiciary and lawmaking bodies.

A fruitful way of conceptualizing the links between democratization and technocracy would thus be to develop a spectrum along which cases of democracy and technocracy can be distributed. One end of the spectrum might be cases in which technocratic styles of policy making undermine a country’s democratic institutions; the other end might be cases in which financial transparency, professionalism and the rule of law associated with current technocratic policy-making styles help to consolidate democratic institutions, albeit in a neoliberal direction.

Maxfield’s examples from Mexico—where investors supported a more plural Congress in the elections of 1997 as a condition for continued investment—and presentations on Chile and Argentina—where democratic institutions are being consolidated despite the legacy of technocratic styles of policy making—reinforce the usefulness of this approach. Most countries are likely to fall between the extremes of democracy and technocracy on the continuum.

## **Independent Authorities and Democratic Accountability**

There is a growing trend to create autonomous public authorities that will check the discretionary powers of governments in key areas of policy making. One set of these institutions includes central banks, finance and trade ministries, tax administration offices, and executive agencies in service delivery. A second set includes independent courts, electoral bodies and ombudsmen. Although they share some characteristics in the promotion of horizontal forms of accountability, the two sets of institutions are different. The first group may make policies that impact differently on social groups and individuals, while the second group is more likely to place constraints on behaviour than to allocate resources or opportunities. In other words, there are often

hard choices to be made in the areas where new independent authorities are gaining influence.

Those who advance the case for central bank independence believe that bankers are more likely than politicians to develop the long-term horizon that monetary policy requires to stabilize the price level. There are also increasing calls to set up independent fiscal authorities to check the propensity of governments or politicians to manipulate tax policies during the electoral cycle. Independent fiscal authorities would enjoy flexibility in adjusting tax rates according to the business—not electoral—cycle. Technocratic approaches to making economic policy may affect the way governments respond to the concerns of citizens and elected representatives on such issues as employment, social protection and poverty eradication.

Three cases of independent authorities were discussed. The first was the experience of the European Central Bank (ECB). Robert Elgie highlighted two sets of indices for measuring the ECB's independence: political independence and economic independence, which, among other issues, address questions of tenure, appointment, decision-making powers and the freedom to determine monetary policy. On the basis of scores obtained from his methodology, Elgie concluded that the ECB is highly independent.

However, he pointed out that despite its independence, the ECB has taken steps to make its operations transparent. It makes quarterly reports to the European Parliament (EP); its executive board appears before the EP at various intervals; it invites dialogue with members of the EP's committee on economic and monetary affairs; its president and vice-presidents hold monthly press conferences; it has a Web site that attracts 2,000–4,000 hits per week; and it has offered a quantitative definition of price stability, even though it is not obliged to do so under the treaty that established its rules of engagement.

Elgie argued that despite these developments, the ECB is still a “fundamentally unaccountable institution”. Transparency, though important, is not a sufficient condition for accountability, which denotes capacity to hold policy makers responsible for their actions. However, in suggesting ways of closing the ECB's “democratic deficit”, he advocated behavioural rather than structural changes. Structural changes, which would involve changing the Maastricht Treaty on monetary

union, are likely to endanger the credibility of the ECB and the European Union (EU) project. Behavioural changes would diminish, not eliminate, the deficit. This would involve raising awareness among ECB officials about the need for policy goals beyond price stability, and improving the dialogue between the ECB and elected bodies and representatives, such as the EP and EU finance ministers.

The second case of independent authorities concerns Japan's experience in using insulated bureaucracies to support policies that have helped transform it into an economic giant. Junko Kato described the institutional structure of this technocracy. The Ministry of International Trade and Industry (MITI) exercised enormous influence on industrial policy making through administrative guidance, subsidies, research support, and licensing arrangements. The Ministry of Finance enjoyed strong regulatory powers in the financial domain.

The Bank of Japan (BOJ), meanwhile, occupied a peculiar place in the technocratic set-up. Rapid growth and industrialization required hard choices to be made on key macroeconomic policies. For instance, government officials preferred an easing of the money supply and lower interest rates, whereas the BOJ, worried about the external pressures on the yen, preferred tighter control of monetary policy and an adjustable yen. Conflicts over these issues explain the lack of independence of the BOJ and the government's strong influence in its operations: the head of the BOJ is recruited alternatively from the Ministry of Finance and BOJ; and before the recent reforms, the BOJ's policy consultation committee included two government representatives. Kato argued that the revision of the BOJ law has not led to a more independent bank.

She contrasted Japan's technocracy with more conventional types. Japan's bureaucrats enter the ministries with a bachelor's degree, and after several years of work are given an opportunity to study abroad. Unlike other technocracies that recruit external experts, Japanese bureaucrats develop expertise on the job: they are socialized into the worldview of the bureaucracy. Most Japanese bureaucrats believe in government intervention to assist market development. Kato argued that as democratic practices become consolidated, Japanese politicians gain more influence in economic policy matters but do not seriously undermine the power of the technocratic elite. This is because of the low levels of expertise available to political parties and the legisla-

ture. She concluded that the outcomes of the bureaucratic reforms spawned by the recession of the 1990s are still uncertain.

The third presentation on independent authorities was by Ole Therkildsen, who discussed new public management (NPM) reform and the growth of executive agencies, using Uganda and Tanzania as case studies. NPM reform has three key doctrines: improvement of public sector accountability; freedom of managers to manage; and empowerment of consumers. It calls for performance targets and contracts to help politicians hold bureaucrats accountable; and separation of the tasks of policy making from service delivery, which becomes the responsibility of executive agencies.

Therkildsen reported that there are plans to create 47 executive agencies in Tanzania and 100 in Uganda. The service delivery functions of ministries and local governments will be transferred to semi-autonomous service boards. The boards will not be democratically elected, but appointed by the ministers. Donors' support for democratization and decentralization is contradicted by their funding of reforms that make service boards unaccountable to elected bodies. At the village level in Tanzania, a pilot project is being sponsored by the World Bank to turn primary schools into executive agencies. Each school will be run by committees, parents will pay half the cost of their children's education in cash to the bank account of their preferred school, there will be a contract between the schools and the ministry to improve examination scores and enrolment, and parents will have the choice to change schools as they deem necessary.

Therkildsen noted that the public sector reforms have been driven by donors, whose interests are integrated into the policy-making and budgetary processes of recipient countries. This has skewed accountability in favour of external forces. He questioned the uncritical application of NPM in countries with fragile democracies and weak institutions. He argued that the creation of executive agencies is based on the questionable premise that performance is an unambiguous concept, which can be measured objectively. However, where there is no politically agreed framework or consensus for measuring performance, adoption of performance contracts may encourage open conflicts and more pronounced distrust of government. The political costs of enforcing contracts may be high, forcing politicians to refuse to enforce them.

## Discussion

Several participants questioned the assumed trade-off between institutional independence and accountability, and warned of the dangers of accountability leading to overpoliticization of service delivery. Elgie replied that it is possible to make institutions both relatively independent and accountable. He gave the example of New Zealand's independent central bank, which operates within certain parameters that make it possible to hold the bank accountable if targets are not met. However, he argued that there are no comparable sanction mechanisms for holding the ECB accountable. He concluded that an uncritical transfer of successful institutions from one country to another may be undesirable since social and political systems are different.

One participant raised the issue of whether social commitments can be accommodated in the organizational culture of the Japanese bureaucracy. This was followed by comments on the increasing role of politicians and civil society groups in influencing the behaviour of Japan's bureaucrats, as well as the role of globalization in weakening MITI's regulatory capacity in the industrial sector.

Kato reiterated the distinction between expertise-based bureaucracies and the Japanese type of bureaucracy, which stresses internal socialization. It is not clear which is, or can be made to be, more accountable to society. She felt that although there has been more pluralism in Japan, distrust of political parties and the bureaucracy has grown. On the issue of globalization, industrial regulation and competition, she argued that even though trade barriers have been abolished, there is societal suspicion of foreign goods, which acts as an informal tariff. The recession has also helped Japan to resist demands from trading partners for more openness.

Comments were made by several people on the contradictory strategies of donors in supporting both top-down public sector management reforms and decentralization. One participant argued that the contradiction could be better understood if donor support for autonomous service boards is seen as an effort to maximize donor influence and secure favourable results in the sectors in which they intervene. Another participant called attention to the questionable results of NPM methods in school systems in the United States and the need to avoid their hasty implementation in developing countries. In his response, Therkildsen remarked that different sections of donor

and recipient institutions enter into different coalitions, and that there is often less co-ordination of policies among agencies and recipient country institutions.

## **Economic Reforms, Democratization and Social Policy**

Technocratic policy making can also be observed in the social field. Recent trends in democratization suggest that democracies that do not address the social well-being of citizens may be prone to instability. Citizens may associate democratization with enhanced spending on education, health, social security and poverty reduction schemes. There is strong evidence in studies on public finance and electoral politics that pressures for increased public expenditure tend to mount during electoral cycles as politicians seek re-election. Indeed, one reason private property holders were opposed to the universal franchise in advanced economies was the belief that the propertyless majority would use its numerical power in elections to promote redistributive policies in its favour.

One enigma of democratic theory and practice is that the fear of redistribution has not occurred with any significance in new democracies. Recent explanations for this include the problems of collective action; the multiple, rather than single, issue-focused interests of voters; ethnic and other competing loyalties; and the internalization by the poor of the institutions of private property rights. In addition, redistributive pressures may conflict with the residual and targeted social policies that technocrats may favour as they seek to control expenditures, meet multilateral loan obligations, and attract private capital. One disturbing trend is the seemingly weak performance of governments in new democracies in reducing poverty.

Session chairperson Stefanie Grant emphasized the growing links between human rights and development, and the need to adopt a rights-based approach to constructing the political framework that Therkildsen discussed as essential for measuring good performance in service delivery. Central to this approach is the need for multilateral and national institutions to develop normative indicators of rights in their frameworks of analysis and development programmes.

The first speaker on the panel, Maureen Mackintosh, examined the costs of technocratic styles of regulation in health care delivery systems. Drawing on joint work

with Paula Tibandebage, Mackintosh noted the multiple conceptual meanings of technocratic policy making. It can refer to a process of decision making in which technocratic groups are insulated from external pressures; it can mean the content of the policy, which is determined by rules that do not engage the context in which the policy is to be applied; and it can denote a separation of policy making from implementation, in which there is a failure to recognize the interactions of process and content. Mackintosh employed all three senses of the concept in contrasting Tanzania's technocratic approaches in health care regulation with more collaborative methods that seem to offer greater prospects for sustainable health care delivery.

Economic crisis and liberalization in the 1990s produced major problems for users of Tanzania's health sector: high fees; social exclusion; erosion of exemption mechanisms for vulnerable patients; overprescription and use of expired drugs; misdiagnosis; and patient-managed referral practices. Tanzania's regime of health sector governance emphasized rule setting and monitored compliance. But the government lacked the resources for effective monitoring and control; some of its interventions created perverse incentives for health care providers and users; and it was unable to relate with the diverse actors that its policy of liberalization had created.

Mackintosh suggested an alternative regime of regulation, which emphasized collaboration among government, private and non-governmental health care providers, and the public. She questioned the targeting model of residual health care for the poorest, and argued instead for inclusiveness of the system as a whole. Her alternative strategy accepted the diversity that has emerged from liberalization, and called for better competition to undermine bad providers, more collaboration among professionals and institutions to make the health market function better, and institutionalization of negotiations to encourage providers to see the rules as legitimate. In Mackintosh's approach, co-providers would also become co-regulators, and the public would play an active role in governing both government and private sector providers. The government would continue, however, to perform its responsibilities in rule making.

Abdul Raufu Mustapha discussed the larger question of poverty, economic reforms and democratization, and why African governments have not been able to deliver their populations from poverty despite the connections voters tend to make between democratization and wel-



fare. Mustapha linked democratization with citizens' disenchantment with adjustment programmes, which reversed gains made in the social sectors of many countries in the 1960s and 1970s.

Economic crisis and adjustment increased the informalization of the economy, and widened the gaps between rulers and the poor that were already becoming evident in the 1970s as leaders abandoned the welfare objectives of the anticolonial struggles. According to Mustapha, the poor embraced democratization in the 1990s as an opportunity to redress socioeconomic decline. The World Bank, on the other hand, tried to depoliticize democracy, first by reducing it to governance, and then by reducing governance to technical institutional conditions that are necessary for successful adjustment: the rule of law, transparency and accountability.

Mustapha cited recent studies that suggest that democratization does not always promote accountability, nor raise human development; and that there is no strong correlation between decentralization, empowerment and pro-poor policies. Using a Nigerian case study, he highlighted the ways adjustment policies and military rule increased social differentiation within, and fragmented the ideological and electoral unity of, the peasantry. This peasantry was the backbone for radical politics in that region during decolonization and much of the independence period. However, powerful urban patrons have replaced local political organizations as the driving force of politics. The peasantry had fewer resources to articulate its concerns when democratization emerged in the late 1990s. Despite these problems, Mustapha concluded that democracy is "the only weapon" of the poor to improve its welfare.

Patricio Silva discussed the Latin American experience. Perhaps more than any other region in the developing world, Latin America has experienced a structured form of policy making that privileges a narrow circle of economic policy elites who are highly sensitive to the dynamics of international financial markets. Silva advanced several reasons for the rise of technocrats in Latin America: stabilization programmes, the waning influence of left-wing parties, and the association of populism with military dictatorship and hyperinflation. Under democratization, policy makers are worried about a repoliticization of the social question.

According to Silva, technocratic decision making has resulted in the "technification" of social and political

problems. In other words, poverty and social inequalities have been transformed into technical terms, with emphasis on targeting and safety nets, even though governments are not sufficiently equipped to handle the tasks. There are increasing demands for expertise in the social sector. However, there is less participation in the administration of targeted social programmes, with the World Bank and national technocrats setting the agenda and maintaining overall control. Silva reported that NGOs are also incorporating technocratic management styles in their operations as they become dependent on multilateral agencies and the state for funds.

## Discussion

The discussion focused on issues of informality and corruption, problems of targeting the social sector, and participation. One participant raised the question of the criminalization of informal economies, and the effects this has on poverty and democratization in Africa. Mustapha commented that informalization is important; although in his study of five major agricultural zones in Nigeria, he found that most informal households were not accumulating capital but coping with stresses emanating from the macroeconomy. Not all informal activities are criminal, and countries differ in the extent of penetration of criminal activities in their social systems; and criminalization is not more serious in Africa than in other regions.

Mackintosh reinforced the point that some informal economic activities are benign and others are not. People in the health sector make clear distinctions between different forms of informal prices or charges. For instance, there is a difference between "abusive bribes" and payments perceived to help the local dispenser. Both are illegal, but people see them differently. The latter reflects a set of informal rules that can be formalized.

One comment called for a distinction to be made between the words "technocratic" and "technical". Technical competence is required in policy making even if society and elected institutions are involved in the policy process. Another comment highlighted the contradictory positions of the multilateral funding agencies in targeting industrial and social sectors. The World Bank, for instance, is against industrial targeting on efficiency grounds, but supports it in the social sector. There are information, administrative, monitoring and selection problems in targeting. Hence, it was asked why targeting should be seen by development agencies and governments as difficult and undesirable in the industrial

sector, but possible and desirable in the more complex social sector.

Silva responded that under a technocratic regime, targets are more important than participation or the methods used to arrive at the targets. He agreed that targeting in the social sector is a big problem. He argued that if the poor make up only 20 per cent of the population, as in Chile, some amount of targeting may work; but targeting is impossible if 60 per cent of the population is poor. The biggest problems in Latin America are absence of good data, poor resources and weak capacity for evaluation. Business and governments prefer targeting because it is less costly to them than universal programmes.

## Civil Society and Technocratic Governance

The next panel focused on civil society groups, whose participation in policy making has long been recognized as essential for democratic accountability. However, globalization is affecting the participation of these groups in economic policy making. For instance, the governance roles of labour in macroeconomic policy making in countries with tripartite institutions are being questioned on the basis of the need to promote labour market flexibility, higher productivity and price stability. And decision making in key multilateral economic institutions often excludes civil society groups. Furthermore, this process of exclusion is ambiguous. NGOs and unions are fighting back and resisting technocracy. “Social pacts”, “concertation” and “partnership”, involving unions, other civic groups, employers, the state and multilateral economic institutions, are increasingly on the agenda.

The first presentation, by Robert O’Brien, examined efforts by civil society groups to influence decision making in the World Trade Organization (WTO), the World Bank and the International Monetary Fund (IMF). O’Brien highlighted three factors that have made technocracy important in international relations. The first is the growth of functionalism as a strategy for minimizing conflicts between states and building co-operation within international organizations. Functionalism stresses the value of working on uncontroversial technical issues as a condition for tackling contentious ones.

The second factor is the increasingly technical nature of the world economy, whose governance requires high levels of expertise. And the third relates to the way pow-

erful actors use technocratic management of public policy to depoliticize distributive issues. He established a connection between functionalism, technocracy and “the new constitutionalism”, which seeks to remove more areas of public life from democratic scrutiny. He argued that the exclusion of social groups from the governance of international institutions can create pathologies—such as delegitimization, violent resistance, and ineffective policy implementation.

O’Brien discussed three types of civil society groups that are trying to engage the multilateral economic institutions: those that support the neoliberal agenda of the economic institutions; those that seek to reform that agenda through emphasis on social issues and participation; and those that call for a complete overhaul of the international institutions. He contended that the more powerful an institution is, the less likely it would be to welcome civil society participation; and the less “social” an institution’s mandate, the less likely that it would provide for participation.

He constructed a participation pyramid that places institutions like the International Labour Organization (ILO), United Nations Conference on Trade and Development, United Nations Children’s Fund and World Health Organization at the base, the World Bank in the middle, and the IMF and WTO at the top. He argued that the closer an institution gets to the pinnacle of economic power, the less scope there is for non-technocrats to play a role in policy making. In general, it is difficult to change the policy-making styles of multilateral institutions because of the lack of integration between policy areas, and the advantage that concern for efficiency enjoys over other social values.

The other two presentations focused on labour unions and policy making in national settings. Björn Beckman provided a comparative analysis of the efforts of industrial unions to influence policy making in eight countries through the medium of social pacts. He argued that unions can constitute a counterweight of society to technocratic policy making. Despite falling membership, declining incomes and welfare support, there is evidence that working-class organizations have grown in strength in some countries.

His cases reveal mixed results. In South Africa, union influence has dramatically increased. In the Republic of Korea, there is a cautious but increasing engagement with the state. In Mexico, there is a serious struggle to recreate corporatist arrangements associated with one-

party rule. In Venezuela, a new government seeks to challenge the corporatist order by restructuring unions. In Malaysia, there is a tendency to strengthen negotiated relationships at the company level, which may affect unions' increasing autonomy.

According to Beckman, unions' efforts to influence public policies are linked to their ability to develop organizational strength and rights in the workplace. He argued that the main source of union power in the new global order is not the formation of new pacts, but the successful challenging and disintegration of existing ones. The process of increasing union autonomy also questions authoritarian rule at the political level. The most obvious cases are South Africa and the Republic of Korea. He concluded that union contestation should not be seen simply as a question of providing a counterweight to technocracy—it is also about deciding whose technocrats should be in charge of policy making.

The third presentation, by Alan Leather, examined the responses of public sector workers to the economic policy reforms of the 1980s and 1990s. Public sector workers are among the groups that have borne the major costs of adjustment, through job losses, reduced income and social benefits, and unstable working conditions. Leather stated that unions were not consulted when neoliberal adjustment programmes were implemented in the 1980s and early 1990s. The reforms had six main effects on public sector unions: declining membership and revenue; weakening of labour legislation that supports workers' rights; dismissal of trade unions' voice on policy issues as collectivist; gender bias; increased pressure from rank-and-file members on union leaders to protect workers; and development of new skills by union leaders in dealing with the social consequences of the reforms.

Leather noted that Public Service International's (PSI) criticisms of the reforms have helped improve dialogue with the World Bank. PSI commented on drafts of the Bank's **World Development Report 1997** on the state, which recognized unions as social partners. It also participated in discussions on privatization and offered seminars to World Bank staff on unions' and workers' welfare. Recently, PSI, the International Transport Federation and the World Bank established a joint secretariat to monitor and encourage labour participation in the privatization of public enterprises.

However, the value to workers of dialogue with multi-lateral institutions will ultimately depend on whether

policy makers adopt a trade union perspective on reform of the international financial architecture. Leather called for the adoption of policies that will address the problems of poor countries and marginal groups; expansion of global demand to generate jobs; more regulation of the international financial system; and incorporation of the ILO's Declaration of Fundamental Principles and Rights at Work into policy and programme development strategies of countries and institutions.

## Discussion

There was a lively debate on union-government relations, labour and environmental standards in trade relations, and the North-South and union-NGO divides on these issues. One participant questioned the current value of social pacts as globalization, fiscal crises and informalization of economies weaken governments' credibility to make tangible deals with unions, and erode unions' capacities to protect members. Another person contended that experiences in Western Europe—where social pacts are being revived—may signal the end of neoliberalism and possibilities for promoting more inclusive government-union relations in developing countries.

Beckman replied that the picture of loss of union power is complex. Unions are gaining political strength in many developing countries even when their industrial strength is being eroded. He argued that the hollowing of social pacts simultaneously creates a need for governments to rein in labour, which is potentially disruptive. Labour may be unable to impose its agenda, but it still has the capacity to obstruct policies. For instance, governments in many petroleum-producing countries have found it difficult to withdraw subsidies from petroleum products; and union leaders are playing active roles in political movements for democratization. Leather felt that there is certainly a trend in the EU to involve unions in a collaborative way in the construction of the European project, but it is not certain whether this signals an era of fruitful government-labour relations in developing countries.

Some commentary focused on the need to see top civil servants as part of the technocratic elite; and to recognize the increasing union-NGO divide on development issues. For instance, corporations are asking Northern NGOs to monitor compliance with labour standards in developing countries, thus by-passing institutions such as the ILO and unions. Leather responded that senior civil servants are difficult to



unionize because of their ambiguous positions as supervisors and workers. In fact, they do not have trade union rights in a number of countries. However, he believed that their behaviour as technocrats may differ from one country to the other.

Leather stated that Northern NGOs should recognize the existence of unions in the countries where they operate, in order to encourage fruitful co-operation between the two groups. There is a trade union fear that the work NGOs attract to developing countries may undermine workers' jobs in similar activities, such as in the health sector. He argued that NGOs often talk about basic rights without reference to unions, and do not encourage their workers to unionize. Their acceptance of contracts to monitor labour standards may hamper labour-NGO relations. Unions should play leading roles in monitoring labour standards.

One comment, which elicited responses from all panelists, addressed the media perception of unions as protectionist, especially over negotiations leading to the North American Free Trade Agreement and the WTO meeting in Seattle. O'Brien responded that the unity of civil society groups in Seattle was fragile: there were conflicts between organized unions and other groups, as well as within each group. He argued that the role of unions is to protect workers by taking them out of competition. He commented that the international regime seems more willing to use sanctions to protect the property rights of corporations than the labour rights of workers.

Beckman responded that Seattle was successful from the point of view of civic resistance because of the backbone labour unions provided to a wide coalition of groups. Many Third World unions played active roles, which undermined the nationalist arguments of their governments, which tried to separate labour issues from trade negotiations. Leather, though, felt that the Seattle agenda was "stolen" by some groups for their own ends. However, he argued that the social clause that was championed by unions had nothing to do with protectionism, as it was concerned with labour rights and working conditions. The protectionist behaviour of a few unions in the North should not be used to discredit the legitimate claims of the labour movement as a whole. He also stated that high levels of unemployment in the North are not caused by free trade.

Leather described attacks on unions over calls for sanctions to implement labour standards in trade relations

as a red herring: workers have borne the brunt of conditionality, or sanctions, in adjustment programmes, and have been fighting to defend the labour rights that these programmes have undermined. He concluded that the same forces that have been quick to use sanctions in economic reform programmes to punish labour, are at the forefront of accusing labour of supporting sanctions to enforce labour rights in trade relations.

Eddy Lee, the chair of the panel, discussed the changing role of the ILO in influencing the global development debate. He stated that the current international environment is favourable to the ILO's policies on labour standards and rights. The ILO is the only tripartite international organization and it seeks to increase co-operation between workers, employers and governments. The ILO's participation in other international organizations may be seen as an indirect way of giving a voice to civil society. Both the IMF and the World Bank have granted the ILO observer status on important economic committees. Relations with the WTO remain more contentious, although Lee envisaged similar types of co-operation when the controversial labour-trade issue is resolved. He argued that policy integration among institutions—and the ILO's recent declaration committing all governments to the fundamental principles of rights at work—will help ensure that the international system is sensitive to a rights-based development agenda.

## **Economic Policy Making and Parliamentary Accountability**

The last session, on economic policy making and parliamentary accountability, consisted of two panels. The first focused on Chile, Argentina, Benin and Malawi; and the second on India, the Republic of Korea and Hungary. They examined changes in institutional arrangements that are conducive to technocratic governance, the role of parliaments in influencing such changes, and the ways governments have tried to co-ordinate the choices of parliamentary parties in making economic policies.

Martin Chungong, who chaired both panels, highlighted the opportunities democratization offers parliaments to influence public policies. However, the Inter-Parliamentary Union (IPU) has realized that parliaments do not always use the powers granted them

on legislative issues. Most of the legislation processed by parliaments emanates from the executive branch in many countries. The imbalance exists at both national and international levels.

Governments in new democracies often make decisions at the international level and expect their parliaments to simply rubber-stamp them. He argued that one reason for the power imbalance may be related to the technical nature of economic issues and the belief that diplomacy is the preserve of the executive branch. The IPU has been trying to redress this imbalance by insisting on a greater role for parliaments in decision-making processes at both national and international levels; and in supporting capacity building in new parliaments.

### **Chile, Argentina, Benin and Malawi**

Verónica Montecinos discussed the rise, power and changing character of technocrats and democratic politics in Chile. She argued that technocrats have always been important in policy making in Latin America, and that democratization has not diminished their influence. Under democratization in Chile, technocrats have expanded their domain of influence beyond the economic bureaucracy, to include new policy areas such as labour relations, social services and diplomacy. Political parties and the Chilean Congress have also been transformed by the greater weight assigned to technical criteria in policy debates and the increasing roles played by professionals, especially economists, in these institutions. There is thus a “technocratic spillover” from the executive branch of government to Congress and other public bodies.

The rise of technocrats in Chile preceded—and in some accounts contributed to—the breakdown of democracy in the early 1970s. In anticipation of the return to civil rule, General Augusto Pinochet’s regime adopted measures that further removed already insulated economic institutions from political control. The democratic opposition developed its own technocratic credentials to satisfy the demands of creditors and investors, who wanted credible commitments that economic liberalization would not be reversed under democratization. Recent efforts to stabilize the economy and improve social programmes through a policy framework of “concertation” have been successful, but the quality of Chile’s democracy is still debatable.

Javier Corrales examined the changing nature of policy making in Argentina. He argued that technocratic policy

making can enhance democratization by creating new demands for effective legislative-executive relations. Argentina is a good case for testing this hypothesis. In the early period of democratization, there was preference for executive rule by decree to implement unpopular policies. However, many important laws—such as the “currency convertibility law” in 1991 and the law governing the privatization of state enterprises—were discussed in Parliament.

He highlighted the dramatic shift in the ratio of laws to decrees, with the former becoming more numerous as the executive branch yearns for credibility and legitimacy. There is a huge increase in the number of reports explaining laws and clarifying policies to Congress. This development has affected the behaviour of the opposition, which, to maintain its credibility, has been forced to downplay ideology and concentrate on the technical issues raised by government policies. He argued that this may increase the opposition’s legitimacy to the public and make it difficult for the government to ignore the criticisms of opposition parties.

The next presentations were on Benin and Malawi. In Africa, the multilateral lending agencies, rather than financial markets, play prominent roles in economic policy making. Francis Akindes discussed the constraints on democratization in Benin, one of only three African countries that have witnessed an alternation of power through elections. Development in Benin is marked by tensions between democratization and constraints associated with economic reforms and poverty.

Akindes argued that although the new Constitution of Benin guarantees democracy, it privileges economic efficiency over democratic principles. For instance, certain provisions call for minimum legislative delays on bills introduced by the executive branch. The law also protects the executive branch from parliamentary actions that may be regarded as disruptive of government policies. He concluded that pressures from the Bretton Woods institutions, which seek quick results for their economic programmes, reinforce these constraints.

Wiseman Chijere Chirwa discussed the Malawi case. He stated that low levels of capacity in public institutions and civil society in that country make it conducive to rule by experts. He highlighted two contradictory trends: on one hand, the core aspects of economic policy making are insulated from the public and are dominated by technocrats in the reserve bank and ministry of finance; on the

other hand, the poverty alleviation programme attempts to involve local communities in a participatory way.

Chirwa reported that since the 1999 elections there have been extensive cross-postings of personnel among economic ministries. For example, the Reserve Bank governor has become the finance minister; the principal secretary in the Treasury has been made the bank governor; and many officials in the Chamber of Commerce now work in the Ministry of Finance. Many functions that were formerly associated with the Reserve Bank have been transferred to the Ministry of Finance. The multilateral financial agencies have been central to the process of recruiting officials into these economic ministries. Parliament's role in economic policy making has been weak. He reported that one constraint may be the vested interests of parliamentarians in the policies proposed by government. Some parliamentarians, for instance, are beneficiaries of the government's privatization programme.

### **India, Republic of Korea and Hungary**

The second panel discussed India, the Republic of Korea and Hungary. India has an older democracy than the other cases, and a vibrant civil society; it also boasts high growth rates in recent years. Pratap Bhanu Mehta argued that economic liberalization in the early 1990s diminished rather than increased the role of technocrats in India. Unlike in Latin America, technocrats are barely represented in India's Parliament; and the civil service, which is wary of externally recruited experts, is under firm political control. As a parliamentary democracy, all laws are debated in Parliament. The economic reforms were successful because bureaucrats and politicians collaborated in developing compensatory schemes for losers.

Mehta reported that there has been a high turnover of governments and electoral participation by the poor. He hypothesized that high turnover may either constrain politicians or encourage rent seeking. The Indian Parliament has become more representative than before. However, increased party competition and high governmental turnover have produced an ambiguous effect: growing consensus on economic reforms and a slowdown of reforms. Mehta concluded that the lack of effective intraparty democracy has impeded accountability in the Indian Parliament.

Attila Ágh examined the Hungarian case. Hungary, like India, is a parliamentary democracy. Ágh argued that the main objective of Hungarian parties and policy-

making elites is to meet the conditions set by the EU for membership. In this regard, the main pressures for technocracy are not from the global financial markets, but from regional blocs, which are, of course, sensitive to global competitive pressures.

Ágh contended that Hungary has completed the transition phase of democratization; the major problem now is parliamentary performance. Comparatively, a large number of decisions have been made in Parliament, but performance is still low. During the early phase of democratization, parliamentarians knew what needed to be done to turn Hungary from an authoritarian into a parliamentary democracy. But the current situation is not clear. In the quest for European integration, policy content has been privileged over its method of attainment. There has also been some backlash in civil society, which is making greater demands on government.

Doh C. Shin discussed the Republic of Korea, which, like Japan, developed a strong technocratic regime to assist rapid industrialization. According to Shin, Korea presents interesting insights on democratization, technocracy and changing policy choices under globalization. It has experienced phenomenally high growth, active state intervention in development, sustained pressures for democratization, financial crisis that threatened to undo its economic miracle, and IMF tutelage for reform.

Korea's technocratic regime suffered setbacks after democratization in the 1980s. Interest groups and Parliament increased their influence over how policies were made. However, according to Shin, the financial crisis of 1997 led to a re-centralization of economic policy making. New, powerful policy co-ordination bodies were created that are not sufficiently accountable to Parliament.

Shin reported that under the current Constitution the president enjoys more power than Parliament on economic policy issues. For instance, although the assembly is mandated to approve the government's budget, it does not have the fiscal powers to either increase or create new expenditure lines. The law also stipulates that motions for budget amendments should be supported by at least 50 members. Legislators have to lobby the presidency to make funds available for their district projects at the stage of budget preparation.

### **Discussion**

Much of the discussion focused on the quality of the institutions in the new democracies. One person argued

that the concept of legislative power can be fuzzy, without a yardstick to measure it. For instance, legislative power may not only vary across countries, but may have increased in some countries if the comparison is with previous authoritarian regimes. Another participant pointed out that institutional forms of government should be factored into the analysis of legislative-executive relations. For instance, it is generally assumed that parliamentary systems encourage co-operation, whereas presidential rule leads to gridlock.

Montecinos replied that the Chilean Congress is traditionally strong when compared to other Latin American countries. But the formal powers of Congress in economic policy making under the new Constitution are limited. There is scope, however, for Parliament to increase its influence through informal means. This has happened through the election of economists as committee members on budgetary affairs. The current head of the parliamentary finance committee, for instance, is a well-known former finance minister, Alejandro Foxley. There are also many economists in Parliament who have taken a keen interest in economic policy issues. Montecinos believed that these economists can engage the executive branch and officials of the Bank of Chile in a constructive way, thus enhancing the influence of Parliament on economic policy making. She also stated that although Chile has a presidential system, there is extensive co-operation between the executive branch and Parliament.

Some participants questioned the quality of Argentina's democracy. It was argued that the economic policies of the Argentine government in the past 10 years have not only been unpopular, but have been implemented in undemocratic ways. Another person contended that economic policies are often discussed by the government and opposition figures behind closed doors, and that Parliament is called upon merely to approve deals that have been worked out in private. A third person argued that what may be enhancing democracy in Argentina may not be technocracy per se, but the self-restraint of opposition parties. While technocracy may provide the context in which self-restraint is exercised, the mechanism providing the democratic outcome is self-restraint.

Corrales replied that his presentation did not seek to paint a rosy picture of democratization in Argentina. Theoretically, technocratic policy-making styles can improve or undermine executive-legislative relations. In Argentina, legislators have become more involved

in economic policy making, but this does not mean that democracy is now stronger than ever. Executive-legislative relations are only a small part of the democratic process.

The importance of history and the stage of economic development in adopting policy reforms was also noted. There may be a honeymoon period, allowing officials to push through harsh reforms. Parliamentarians do not always support populist policies, especially if countries have just experienced hyperinflation. If, as in Zambia, the transition is from a populist regime, the new government may pursue conservative economic policies. However, governments that are formed during transition from a conservative regime—such as Hasting Banda's government in Malawi—may improve expenditure in the social sector.

Moreover, if the transition is from a regime thought to have been successful in managing an economy, as in Chile, the new government may not want to undermine that success. The view was also expressed that in Benin, as in many francophone African countries, monetary sovereignty has been surrendered to a regional central bank. The role of independent central banks is thus not a matter for policy debate in these countries, which generally have experienced low inflation rates. Chirwa added that in many countries, transition has become rather open ended.

A participant commented on the meritocratic character of the Indian civil service, and questioned whether it should not be described as technocratic. Mehta replied that the Indian public service does not have a specialization of tasks, and does not recruit experts from outside the ministries. Although the civil servants are not incompetent, policy outcomes are not commensurate with targets. The reason has to do with the service's internal institutional complexity and costly incentive structure: for instance, a number of signatures are required even for small decisions.

Governance of the Republic of Korea's corporate structure and democracy was discussed. One participant argued that democracy does not always favour one type of corporate structure—the modern capitalist type found in Western democracies that separates owners from managers; and that even in these countries there are varieties of corporate structures. He wondered why some scholars should see Korea's *chaebols* (family-based conglomerates) as incompatible with democracy. Shin responded

that the *chaebols* discourage competition: the top 5 per cent of the *chaebols* account for 50 per cent of Korean gross domestic product. They also encourage corruption.

Attention was drawn to the disenchantment of civil society with Hungary's democratic institutions and the links this may have with the government's determination to meet the convergence criteria for EU membership. Ágh restated the low performance of Hungary's democratic institutions, which he associated with problems of co-ordination. Parliament produces a vast number of laws that must be amended because of their poor quality.

The importance of policy implementation in technocratic governance was emphasized. Public resistance, or dilution of targets, for instance, is often more effective at the level of implementation than when policies are being made. It was stated that the policy agenda is likely to be depoliticized when issues are technical or "scientific". Economic policy making tends to be technocratic because economics is often seen as the most "scientific" discipline in the social sciences. This raises the interesting question of what policy-making styles would look like on matters that affect the natural sciences.

## Strengthening Democratic Institutions

Richard Joseph's keynote address concluded the conference, challenging the audience to transcend the con-

straints that neoliberalism imposes on economic policy making and democratization. He argued that democratic institution building should be grounded on a robust programme of social development, which takes seriously the goal of overcoming human poverty.

Institution building should include the rebuilding, rather than the scaling down, of the state in crisis countries. However, state-building projects should be anchored to constitutional foundations if they are not to degenerate into new forms of authoritarianism. He called for citizen self-rule, the protection of civil rights, and the broadest level of participation in the deliberation of public policies.

Joseph concluded his speech by outlining a research agenda on democratization that will develop models of dynamic linkages between institutions, power and social development in different sets of countries at both macro and micro levels. At the micro level, lessons can be drawn from the experience of community-based organizations in the fields of governance and development. He argued that this approach will enable better understanding of country and sector performance, and assist decision makers and social actors in crafting policies that will strengthen democratic institutions.



## Agenda

### Thursday, 27 April 2000

- 9:00–9:45 **Opening Session**  
Welcome and Introduction — *Thandika Mkandawire, UNRISD*  
Keynote Address: Globalization, Economic Policy Making and Democratization  
— *Sylvia Maxfield, Harvard University*
- 9:45–10:00 BREAK
- 10:00–11:30 **Session One ■ Independent Authorities and Democratic Accountability**  
Chairperson — *Patricio Silva, Leiden University*  
The European Central Bank and Democratic Accountability — *Robert Elgie*  
Bureaucratic Reform and Economic Policy Making in Japan — *Junkeo Kato*  
Executive Agencies, New Public Management and Problems of Accountability — *Ole Therkildsen*
- 11:30–13:00 **Session Two ■ Economic Reforms, Democratization and Social Policy**  
Chairperson — *Stefanie Grant, Office of the United Nations High Commissioner for Human Rights (UNHCHR)*  
Technocratic vs. Collaborative Regulation in Health Care: Reflections Based on  
the Tanzanian Experience — *Maureen Mackintosh*  
Democratization, economic reforms and poverty alleviation — *Abdul Raufu Mustapha*  
Technocratic policy making and social development in Latin America — *Patricio Silva*
- 13:00–14:30 LUNCH
- 14:30–16:15 **Session Three ■ Civil Society and Technocratic Governance**  
Chairperson — *Eddy Lee, International Labour Organization (ILO)*  
Technocratic Governance and Civil Society: The Multilateral Economic Organizations  
— *Robert O'Brien*  
Labour Unions, Economic Policy Making and Social Pacts — *Björn Beckman*  
Public Sector Workers, Union Rights and Economic Policy Reform — *Alan Leather*
- 16:15–16:30 BREAK
- 16:30–18:00 **Session Four ■ Economic Policy Making and Parliamentary Accountability**  
Chairperson — *Martin Chungong, Inter-Parliamentary Union (IPU)*  
Chile — *Verónica Montecinos*  
Argentina — *Javier Corrales*  
Benin — *Francis Akindes*  
Malawi — *Wiseman Chijere Chirwa*

### Friday, 28 April 2000

- 9:30–11:00 **Session Four (cont'd) ■ Economic Policy Making and Parliamentary Accountability**  
Chairperson — *Martin Chungong, Inter-Parliamentary Union (IPU)*  
India — *Pratap Bhanu Mehta*  
Republic of Korea — *Doh C. Shin*  
Hungary — *Attila Ágh*
- 11:00–11:15 BREAK
- 11:15–11:45 **Closing Session**  
Chairperson — *Thandika Mkandawire, UNRISD*  
Keynote Address: Strengthening Democratic Institutions in the Era of Globalization  
— *Richard Joseph, Emory University*

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