

# Economic Policy Making and Parliamentary Accountability in Chile

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## Acronyms

<b>CIEPLAN</b>	Corporación de Investigaciones Económicas para Latinoamérica ( <i>Corporation for Latin American Economic Research</i> )
<b>CORFO</b>	Corporación de Fomento de la Producción ( <i>National Development Corporation</i> )
<b>DIPRES</b>	Dirección de Presupuestos, Ministerio de Hacienda ( <i>Budget Office, Finance Ministry</i> )
<b>ECLA</b>	Economic Commission for Latin America
<b>GDP</b>	gross domestic product
<b>IL</b>	Instituto Libertad ( <i>Liberty Institute</i> )
<b>ILADES</b>	Instituto Latino Americano de Doctrina y Estudios Sociales
<b>ILD</b>	Instituto Libertad y Desarrollo ( <i>Liberty and Development Institute</i> )
<b>ILPES</b>	Instituto de Planificación Económica y Social ( <i>Economic and Social Planning Institute</i> )
<b>IMF</b>	International Monetary Fund
<b>JBC</b>	Comisión Especial Mixta de Presupuestos ( <i>Joint Budget Committee</i> )
<b>MERCOSUR</b>	Mercado Común del Sur ( <i>Common Market of the South</i> )
<b>MIDEPLAN</b>	Ministerio de Planificación y Cooperación ( <i>Ministry of Planning and Co-operation</i> )
<b>NGO</b>	non-governmental organization
<b>ODEPLAN</b>	Oficina de Planificación Nacional ( <i>National Planning Office</i> )
<b>PAL</b>	Programa de Asistencia Legislativa ( <i>Legislative Assistance Programme</i> )
<b>PC</b>	Partido Comunista ( <i>Communist Party</i> )
<b>PDC</b>	Partido Demócrata Cristiano ( <i>Christian Democratic Party</i> )
<b>PEPG</b>	Programa de Evaluación de Proyectos Gubernamentales ( <i>Programme for the Evaluation of Government Projects</i> )
<b>PH</b>	Partido Humanista ( <i>Humanist Party</i> )
<b>PPD</b>	Partido por la Democracia ( <i>Party for Democracy</i> )
<b>PR</b>	Partido Radical ( <i>Radical Party</i> )
<b>PRSD</b>	Partido Radical Social Demócrata ( <i>Radical Social Democratic Party</i> )
<b>PS</b>	Partido Socialista ( <i>Socialist Party</i> )
<b>RN</b>	Partido Renovación Nacional ( <i>National Renewal Party</i> )
<b>SEGPRES</b>	Ministerio Secretaría General de la Presidencia ( <i>Ministry of the Presidency</i> )
<b>SIGFE</b>	Sistema de Información para la Gestión Financiera del Estado ( <i>Information System for the Management of Public Finances</i> )
<b>SOFOFA</b>	Sociedad de Fomento Fabril ( <i>Chilean Federation of Industry</i> )
<b>TASC</b>	Trabajo de Asesoría Económica al Congreso Nacional ( <i>Economic Advice to the National Congress</i> )
<b>UCC</b>	Partido Unión de Centro Centro
<b>UCCP</b>	Partido Unión de Centro Centro Progresista
<b>UDI</b>	Partido Unión Demócrata Independiente ( <i>Independent Democratic Union Party</i> )

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## Summary/Résumé/Resumen

### **Summary**

Important features of Chile's new democracy have been the widespread adoption of a consensual approach to policy efficiency, fiscal discipline and the careful avoidance of economic populism and ideological polarization. The enormous influence that technical cadres gained in pre-transition politics has sustained the pragmatic strategy followed since 1990. This study argues that, ironically, the spillover of technocratic policy conventions from the executive branch to the legislature—illustrated by the increased presence of economists in Congress—may have fostered democratic accountability, raising the policy stature of the legislature and expanding its ability to challenge government actions and policy preferences in a super-presidential system.

Despite the executive's exclusive initiative in budgeting and its lack of constitutional prerogatives, the legislature has become more involved in policy negotiations, especially after reforms to the budgetary process were introduced in the 1990s. "Legislator-economists" have played a critical role in moderating executive dominance in economic policy, particularly through the assertion of their professional jurisdiction over congressional committees relevant to economic policy making and in informal negotiations with the governmental economic team.

Nonetheless, attempts to strengthen presidential hegemony over state finances have a long tradition in Chile. Indeed, the Constitution adopted under Augusto Pinochet's authoritarian regime in 1980 reaffirmed many of the budgetary rules introduced in previous constitutional reforms. There is a remarkable degree of acceptance of the current policy framework, and Congress approved spending proposals with minor or no alterations throughout the 1990s. Although the government has made concessions regarding the quality and periodicity of the information sent to legislators, and it has taken several initiatives to increase transparency and efficiency in government spending, frustrated legislators continue to demand greater oversight in the budgetary process. Attempts to institute mechanisms for independent policy analysis in the legislature have failed, however, and Congress still lacks adequate access to expert knowledge, information and resources to evaluate economic policy formation. The author thus suggests that for a more permanent and effective empowerment of the legislature, it would be necessary to revise current institutional arrangements, especially those affecting interbranch relationships and the organizational characteristics of Congress.

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### **Résumé**

La nouvelle démocratie chilienne s'est caractérisée essentiellement par l'adoption générale d'une approche consensuelle de l'efficacité en politique, la discipline budgétaire et le soin mis à éviter populisme économique et polarisation idéologique. Les technocrates, devenus très influents dans le jeu politique avant la transition, ont contribué à maintenir la stratégie pragmatique suivie depuis 1990. Cette étude fait valoir que, ironiquement, les politiques technocrates conventionnelles, en débordant du cadre de l'exécutif pour gagner le législatif, comme en témoigne la présence accrue d'économistes au Congrès, ont pu stimuler la transparence démocratique, rehausser le prestige politique du parlement et étendre les pouvoirs qu'il a de contester les décisions et choix politiques gouvernementaux dans un système ultra-présidentiel.

Bien que l'initiative d'établir le budget revienne exclusivement à l'exécutif et que le parlement lui-même n'ait pas de prérogatives constitutionnelles, celui-ci a participé davantage aux négociations pendant lesquelles s'élaborent les politiques, en particulier après les réformes du processus budgétaire introduites dans les années 1990. Les parlementaires économistes ont beaucoup contribué à tempérer la domination qu'exerçait l'exécutif en politique économique, en particulier en affirmant leur juridiction professionnelle sur les commissions du Congrès qui traitent de politique économique et dans les négociations informelles avec l'équipe économique du gouvernement.

Toutefois, ce n'est pas d'hier que la présidence de la République du Chili tente d'assurer son hégémonie sur les finances de l'Etat. De fait, la constitution adoptée sous le régime autoritaire d'Augusto Pinochet en 1980 n'a fait que réaffirmer bon nombre de règles budgétaires introduites lors de précédentes réformes constitutionnelles. Le cadre politique actuellement en place est remarquablement bien accepté et le Congrès a approuvé les dépenses proposées sans grande modification, sinon aucune, pendant toutes les années 1990. Bien que le gouvernement ait fait des concessions concernant la qualité et la périodicité des informations transmises aux parlementaires et ait pris plusieurs initiatives pour accroître la transparence et la rentabilité de ses dépenses, les parlementaires, insatisfaits, continuent de réclamer un contrôle plus étroit du processus budgétaire. Pourtant, les tentatives faites au parlement pour mettre en place des mécanismes permettant une analyse indépendante des politiques ont échoué et le Congrès n'a pas encore suffisamment accès au savoir, aux informations et aux ressources des experts pour être en mesure d'évaluer le mode d'élaboration de la politique économique. L'auteur estime donc que si l'on veut donner au parlement des pouvoirs plus réels et plus durables, il faudrait réviser les mécanismes institutionnels actuels, en particulier ceux qui touchent aux relations entre l'exécutif et le législatif et à l'organisation au sein du Congrès.

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### **Resumen**

Las características importantes de la nueva democracia en Chile han sido la adopción generalizada de un enfoque consensuado en la eficacia política, la disciplina fiscal y un especial cuidado en evitar el populismo económico y la polarización ideológica. La enorme influencia que lograron ejercer los cuadros técnicos en la política anterior a la transición, ha sostenido la estrategia pragmática que se sigue desde 1990. Este estudio sostiene que, irónicamente, la extensión de las convenciones políticas tecnocráticas del poder ejecutivo al legislativo —ilustrado por la presencia cada vez mayor de economistas en el Congreso— puede haber fomentado la rendición de cuentas democrática, acrecentando la importancia política del poder legislativo y aumentando su capacidad de desafiar las iniciativas gubernamentales y las preferencias políticas en un sistema super-presidencial.

A pesar de que el poder ejecutivo tiene la iniciativa exclusiva en materia de presupuesto y carece de prerrogativas constitucionales, el poder legislativo ha participado cada vez más en las negociaciones políticas, en particular tras las reformas del proceso presupuestario introducidas en el decenio de 1990. Los "legisladores economistas" han desempeñado un papel fundamental en la moderación del dominio del poder ejecutivo en la política económica, particularmente a través de la reivindicación de su jurisdicción profesional en las comisiones del Congreso pertinentes para la formulación de políticas económicas, y en las negociaciones informales con los responsables gubernamentales de la economía.

Sin embargo, los esfuerzos para fortalecer la hegemonía presidencial sobre las finanzas estatales, tienen una larga tradición en Chile. En efecto, la constitución adoptada en 1980, durante el régimen autoritario de Augusto Pinochet, reafirmó muchas normas presupuestarias introducidas en reformas constitucionales anteriores. El marco político actual está considerablemente aceptado, y en el decenio de 1990 el Congreso aprobó propuestas presupuestarias sin introducir modificaciones, o con cambios menores. Si bien el gobierno ha hecho concesiones respecto a la calidad y periodicidad de la información transmitida a los legisladores, y ha tomado iniciativas para aumentar la transparencia y la eficacia de los gastos gubernamentales, los legisladores frustrados siguen exigiendo una mayor supervisión en el proceso presupuestario. Sin embargo, han fracasado los intentos para establecer mecanismos para analizar las políticas de forma independiente en el poder legislativo, y el Congreso aún carece de acceso adecuado a conocimientos especializados, información y recursos para evaluar la formulación de políticas económicas. Por consiguiente, la autora señala que, a los efectos de un empoderamiento más eficaz y permanente de la legislatura, sería necesario examinar los acuerdos institucionales actuales, en particular los que afectan a las relaciones entre los poderes, y las características organizativas del Congreso.

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## Introduction

This study examines technocratic politics and the role of Congress in economic policy making in Chile. For over a century, budgetary politics in Chile contained protracted efforts to depoliticize economic management and insulate policy decisions from congressional interference. The rise of technocratic elites preceded and perhaps contributed to the democratic breakdown of the early 1970s. Under General Augusto Pinochet's rule, technocratic groups gained enormous influence to further remove economic management from political controls. The 1980 Constitution so weakened the legislature that the current system has been labelled "exaggerated presidentialism".<sup>1</sup>

The centre-left coalition that came into power in 1990 placed economic specialists in several top policy positions to signal the new democracy's commitment to policy efficiency, fiscal discipline and monetary stability. Although elections provide citizens with the opportunity to hold their representatives accountable, the loss of congressional policy capacities and the concurrent empowerment of technocratic elites are likely to undermine the stability of democracy. The electoral dimension of accountability is enhanced if the legislature possesses the necessary resources to exercise its oversight functions and has the authority to impose credible sanctions when government officials violate political or legal rules (Schedler et al. 1999).

Higher levels of accountability result from a combination of intentional design (that is, constitutional rules) and ongoing political battles over policy practices. Pressures to restrain government powers usually come from elected officials, the media, social movements and even international actors. In some circumstances, however, as the Chilean case suggests, government experts may further their own supremacy by devising stricter accountability standards. In the past decade, congressional demands for a larger policy role in budgetary matters have coincided with government attempts to improve public management. The Budget Office (DIPRES) has stepped up control over state resources and government services beyond the traditional legalistic focus on administrative improprieties. Will the internal quest for accountability end up strengthening technocratic controls with little impact on the expansion of citizen participation?<sup>2</sup> How can Congress balance the drive for government efficiency with the need for effective representation?

The complexity of these issues is particularly salient in the context of post-authoritarian regimes, loaded with the remnants of autocratic rule, and centralized and exclusionary policy-making structures and processes. The recent wave of democratic transitions in Latin America did not diminish the influential role that technocratic elites played under authoritarian rule. Because the democratization process has coincided with the promotion of market reforms, scholarly attention to the scope and persistence of technocratic policy making has increased; however, the ubiquitous technocrats have a long tradition in this region, encompassing regimes of very different ideological persuasions (Centeno and Silva 1998).

There are significant ambiguities associated with the technocratic phenomenon. On the one hand, technocrats themselves may allege to serve the interests of the public better than elected politicians who, fearing removal from office, tend to be too cautious, too erratic, even frivolous, especially when policy decisions imply unpopular or costly measures. On the other hand, elected officials may be willing to delegate authority to technocrats in areas that are particularly conflictive or technically intricate in order to avoid electoral defeat or to gain legitimacy among credit and investment sources (Przeworski et al. 1999). Technocrats typically operate isolated from public scrutiny, but they may encourage higher levels of disclosure as a way of justifying or enhancing their control over the policy process. Also, technocrats (or "technopols" in Domínguez 1997) may seek careers in political parties and the legislature in an effort to transform politics into a more rational, less conflictive activity.

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<sup>1</sup> Analysts characterize the Chilean presidency as one of the most powerful in the world (it is the most powerful in Latin America). Scholarly literature on Chile's legislature remains scant. Recent important studies include Baldez and Carey (1999), Siavelis (2000) and Londregan (2000).

<sup>2</sup> Whether the state should encourage citizens to demand more information and better services, even at the cost of stimulating disaffection, has been a matter of debate (Marcel and Tohá 1998).

Chile's historical record indicates that the domain of technocratic elites has gradually expanded well beyond its original enclave within the state economic bureaucracy. What could be called a "technocratic spillover" has reached new policy-making areas, such as labour relations, social services and diplomacy. Eminently political organizations, such as political parties and Congress, have also been transformed by the greater weight assigned to technical criteria in policy debates and the enlarged leadership role of individuals with professional credentials. Many factors have contributed to expanding the domain of technocracy in Chilean politics, including deliberate institutional changes, shifts in developmental strategy, the emergence of new class coalitions, as well as new sets of ideas and policy paradigms and instruments. The priority that is now given to indicators of policy efficiency and macroeconomic equilibrium could not have been expected before the end of the Keynesian world. Competition among professional groups has also contributed to the political ascent of technocratic elites. Economists are now unrivalled at the commanding centres of the transition to a market-driven and globalized economy. The economists' cosmopolitan contacts, policy-making experience and reputation for scientific rigor—reinforced by a growing degree of doctrinal consensus—have converted them into today's prototypical technocrat.

The quality of Chile's new democracy remains at the core of contentious debates (Drake and Jaksic 1999). The persistence of technocratic styles of policy making favours consensus, narrowly defined negotiations and preference for technical criteria over unbridled public debate. Critics charge that avoiding issues that irritated the military, the entrepreneurial elites, the church hierarchy and the more conservative elements within the Concertación—formed by the Christian Democratic Party (PDC), the Socialist Party (PS), the Party for Democracy (PPD) and the Radical Party (PR)—has distorted the transition process, disheartening citizens and social activists.<sup>3</sup> Without a Senate majority, it has not been possible to reform the Constitution, curb the political influence of the armed forces, alter the electoral system that favours right-wing parties, and eliminate the designated members of the Senate and other non-democratic features of the political system. Pessimism has replaced complacency as a decade of record levels of economic growth (7 per cent annually, on average) ended. The unexpected detention of General Pinochet in London in 1998 launched a nationwide confrontation over the unfinished task of ensuring justice for the victims of political repression during his regime.

Dissatisfaction with market solutions is increasingly evident. Critics argue that social policies have not challenged the neoliberal model: the poor are encouraged to be entrepreneurial and realistic. Thus, the emphasis on flexible labour markets, investment in human capital and efforts to increase the efficiency of social programmes are said to be reinforcing the disempowerment of collective actors and discrediting politics (Moulian 1997; Schild 2002). The poverty rate declined from 45.1 per cent in 1987 to 23.2 per cent in 1996, but it was still over 20 per cent in 2000. The labour movement remains weak, reforms in the health and social security systems are pending, and Chile's enormous income inequality has not changed. In Latin America, only Brazil exhibits higher levels of income inequality (Meller 1999:51). The 1997 congressional elections already pointed to growing discontent among voters (see annex tables 1 and 2). While the right-wing alliance—the Independent Democratic Union Party (UDI), the National Renewal Party (RN) and others—kept around 36 per cent of the electorate in the 1993 and 1997 congressional elections, the Concertación dropped from 55 to 50 per cent in voting preferences. The PDC, the largest member of the governing coalition, experienced the most severe setback with 22.97 per cent of the vote and was surpassed by parties on the left, with 24.43 per cent, for the first time since elections were reinstated (Siavelis 1999:234). In a country where politics was traditionally a national obsession and voting is obligatory, 40 per cent of the electorate abstained, did not register or nullified their vote in 1997. Participation is likely to remain low, due to an electoral system that distorts popular preferences and leads parties to minimize differences (Leseigneur et al. 2001).

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<sup>3</sup> For an analysis of how consensus politics imposed severe restrictions on the debate and implementation of policies toward women, see Baldez (1999).



Many Concertación leaders declare that it is time to correct the “defects” of the Chilean transition, saying, “A decade after the transition, we cannot keep blaming the dictatorship”. In a recent interview, former President Patricio Aylwin Azócar declared that the Concertación lacks a clear, shared project for the future. “Our soul is divided”, he lamented.<sup>4</sup> References to the “ideological penetration” of neoliberalism within the Concertación and the “cultural mimetism” between renovated leftists and right-wing liberals have become common. The so-called “Concertación liberals” are criticized for thinking and acting like the right-wing opposition—too orthodox in their approach to economic management, too hopeful regarding the distributive effects of economic growth and too distrustful of state actions. Detractors point out that the market should not be demonized, because equity is not attainable without sustained economic growth. Moreover, market mechanisms have the potential to open new opportunities for the active participation of citizens in economic and social life.

The results of the 2000 presidential election showed that the Concertación could no longer take its electoral advantage for granted. The powerful right-wing opposition was further invigorated by the surprising performance of President Ricardo Lagos Escobar’s contender, economist Joaquín Lavín, a staunch conservative with a record as a competent mayor and a populist style that attracted many young voters. Lavín forced a run-off election in which he received 47.51 per cent of the vote, skilfully capitalizing on the country’s desire for change (Silva 2001).

## **Economic Ideas and the Ascent of Technocratic Elites in the Pre-Transition Period**

Economic ideas not only inspire or justify specific policy measures and counter-measures, they also affect the articulation of professional projects, giving coherence and credibility to segments of the policy-making elite and shaping the organizational structures and procedures in which those elites operate. Successive institutional reforms in the state bureaucracy, in private sector associations and in the broader political system have created lasting legacies. Likewise, the history of economic thought should be regarded as a relevant component in the articulation of present policy recommendations.

The strategic shift from state-led industrialization to market-driven development that began in the 1970s appears to justify the destruction of what was built by previous generations of economic managers, but today’s reformers are part of policy communities with roots in earlier decades when distinct professional identities and networks were formed. A longer-term perspective allows us to capture how the periodic replacement of policy elites with new, differently socialized elite cohorts, affects the shifting style and orientation of economic policy.

Until the military coup of 1973, Chile’s long tradition of democratic stability featured a relatively competent bureaucracy, a presidential system with a comparatively strong Congress, and increasingly polarized multiparty competition (Valenzuela 1978). For most of the past century, Chile’s politicians and professional elites followed a gradual and negotiated strategy in the transformation of the country’s economic base, thereby widening social mobility and political participation.

The embrace of more comprehensive developmentalist projects facilitated the ascent of technocratic elites entrusted with the design of industrialization projects and an array of educational, agrarian and other structural reforms. In Chile, as in other less industrialized countries, the increasingly widespread employment of economic experts and the adoption of rational models of administration responded in part to international pressures. Since the nineteenth century, but especially in the postwar period, development agencies, foreign lenders and technical advisors promoted organizational changes in the state bureaucracy, the use of specialized techniques in

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<sup>4</sup> Interview by M.E. Camus and M. Contreras, *Foro Chile* 21, June 2001:4–7.

fiscal and monetary policy and the training of professionals to staff a variety of new government agencies (Drake 1994).

Throughout Latin America, protectionist doctrines became the dominant rationale behind industrialization projects, and economic planning was widely advocated as a desirable instrument for policy making. The structuralist school in Latin American economics, elaborated and diffused by economists from the Economic Commission for Latin America (ECLA) in the 1950s and 1960s, paralleled the ideas of the emergent field of development economics then flourishing in academic and policy institutions in Europe and North America. Both emphasized the shortcomings of conventional neoclassical economic theory for understanding the circumstances of poorer countries and the need to address market failures with active state intervention. Although opposition to the growing managerial functions of the state was manifest in many circles, this body of ideas received significant political support from those who favoured a middle ground between capitalist and socialist models, from government officials in control of the growing state apparatus, and from industrialists and other groups that benefited from the expansion of state investments, credits and regulations.

In the 1960s, the developmentalist promises that higher growth rates would reduce foreign dependency, income disparities and political polarization created great optimism. A notable degree of domestic and international convergence was generated around this model. During this period, economic policy making became increasingly centralized in the hands of the president and his economic team. Attempts were made to implement national development plans, increase control over regional and sectoral policy, rationalize the budgetary process, harmonize fiscal and monetary policy, and curtail the interference of particularistic considerations while favouring technical criteria. During the Christian Democratic administration of President Eduardo Frei Montalva (1964–1970), Chile became a showcase of reformist modernization, and the country received preferential treatment from international lending and advising agencies. President Salvador Allende (1970–1973) also espoused many of the central tenets of the ECLA doctrine, albeit as part of a more radical programme of socialist transformation, calling for the nationalization of natural resources, the massive redistribution of land and the end of imperialist domination.

Under Presidents Frei and Allende, economists acquired greater influence, displacing lawyers, engineers and other professionals from the Finance Ministry, the Central Bank and other quarters of the state bureaucracy. The greater reliance on professional economists in top policy-making positions, which has become a worldwide trend, cannot be explained as merely the result of growing complexity in economic governance. The employment of economic experts also reflects the need to legitimize contentious policy decisions by resorting to technical justifications, as well as the need to comply with externally validated policy paradigms and prescriptions in order to gain access to foreign-controlled resources (Markoff and Montecinos 1993).

Since the 1950s, the growing professionalization of Chilean economics has generated a large pool of individuals with recognized credentials and connections in the international community of development specialists; many lived in Santiago and were employed by the numerous international organizations headquartered there. While the number of professional economists grew, so did the level of doctrinal debates among them. The dominant left-wing and Keynesian economists were challenged by groups of orthodox economists who began attending graduate programmes at the University of Chicago and other North American universities in the mid-1950s (Valdés 1995). Defenders of market-based models and politically neutral “scientific” economics were able to solidify their institutional bases. At the Catholic University, these “Chicago Boys” gained total control over the administration of the economics programme in 1965 (Vial 1999:181). Mainstream economics education at the Catholic University institutionalized linkages with constituencies in the private sector. The previous statist consensus faltered as economists on the right discredited the populist biases of structuralism while economists on the left criticized the distributive effects of modernization programmes. The politicization of the economics profession mirrored and accentuated the escalation of social and ideological conflict at the national level.

In the months leading to the military coup of 1973, the traditional patterns of political compromise proved unable to preserve the old system of negotiations. Following unprecedented levels of ideological polarization, social unrest and economic disarray, the military regime announced that its mission would not end until the vices of civilian politics were eradicated. Repression accompanied a new brand of technocratic reformism as the Pinochet regime publicized its commitment to the creation of an entirely different sociopolitical system. Without Congress, and in the absence of party politics, Pinochet's advisors enjoyed enormous autonomy in implementing comprehensive reforms to replace state interventionism with a depoliticized, open and competitive economy.

Although connected with large economic conglomerates and right-wing think-tanks, Pinochet's Chicago Boys consistently emphasized their independent judgement and strict adherence to the most rigorous professional and academic standards (Fontaine 1988). New generations of young economists, trained at local universities and at the University of Chicago, were deployed throughout the public bureaucracy as the Chicago team pioneered the neoliberal revolution that would not spread to the rest of Latin America until the following decade.

Extremely orthodox monetarist policies were adopted to bring inflation under control. Collective bargaining was suspended, enterprises and land expropriated by the Allende government were returned to their former owners, foreign companies were compensated, public enterprises began to be privatized, tariffs were lowered and restrictions on foreign investments were lifted. Advocating a radical anti-statist position, Pinochet's economists depicted the state as inherently prone to rent-seeking and irrational distortions. The elimination of the state's entrepreneurial, regulatory and redistributive functions, they argued, would allow markets to allocate resources thereby improving productivity and efficiency, increasing savings, investment and employment and opening new export opportunities. The private sector would be the engine of development and state action should centre on the reduction of extreme poverty (Foxley 1983; Edwards and Cox 1987).

The designers of the 1980 Constitution, strong critics of party politics and mistrustful of the politicians' particularistic inclinations and expansionary fiscal biases, sought to enhance the prospects of effective and disciplined economic management by creating autonomous policy agencies and further increasing executive branch dominance. These economic and institutional changes were intended to ensure the long-term survival of the neoliberal system.

## **The Institutional Framework for Economic Policy Making before the Transition**

In the pre-coup period, no single political force was dominant; party coalitions were unstable and Chilean presidents had to engage in frequent negotiations with parties and Congress to form legislative majorities. It has been argued that the high level of institutionalization that characterized the Chilean party system, the significant degree of interbranch co-operation, and more generally, the stability and legitimacy of Chilean democracy were anchored in Congress's ability to serve as an arena of compromise. Particularistic legislation, clientelism and patronage effectively moderated ideological polarization and permitted Congress to participate in the policy process to a much greater extent than its formal constitutional prerogatives allowed (Valenzuela and Wilde 1979).

However, successive attempts to strengthen the executive branch in order to promote economic and social development weakened congressional powers. Constitutional reforms in 1943 and 1970 expanded the president's exclusive initiative and decree powers in economic policy, reducing the spending capacity of Congress as well as the ability of legislators to channel social demands and affect wage and benefit policies.

Other institutional changes also helped the rise of technocratic elites. The perception that policy inefficiency, low rates of economic growth, chronic inflation and budgetary deficits were rooted in

the system of clientelism justified efforts to depoliticize economic management and augment the technical capacity of the state bureaucracy. The growing mobilization of social groups demanding wage increases above the government target reinforced the idea that institutional changes were necessary to improve macroeconomic performance. It was argued that pressure groups' demands for special legislation and benefits interfered with the employment of sound technical criteria, making the system of government regulations too complex and fragmented.

Supra-ministerial agencies closely linked to the president (for example, the Economic Committee of Ministers and the National Planning Office/ODEPLAN) were created to increase policy coherence and insulate policy makers from partisan pressures. But inter-bureaucratic struggles intensified as orthodox and developmentalist coalitions competed for presidential support and the resources required for the implementation of their respective reformist agendas (Cleaves 1974). The technocrats' attempts to reduce inflation, reform the social security system, establish uniform taxes and tariffs, and liberalize trade were only partly successful.

The technocratization of policy making and the increasingly anti-capitalist orientation of government reforms were resisted by business organizations that became more cohesive and politically active in their demands to regain access to the policy process. Political parties also resented the autonomy of the experts and their own marginalization from the decision-making process. Whenever possible, politicians reasserted their influence, delaying legislation or blocking the approval of measures that the government considered central to the overall economic programme. Tensions between the executive and the legislative branches and among bureaucratic agencies increased, while political parties engaged in more intense disputes.

Allende's economic cabinet included more economists than Frei's and called for anti-inflationary measures as part of broader anti-imperialist and anti-oligarchic reforms that included property transfers, government control of the banking system and a more equal pattern of income distribution. The economists' diagnosis indicated that state intervention through preferential credits, subsidies, tax incentives and a differentiated tariff system had systematically favoured the interests of large monopolistic capital (Larraín and Meller 1991). Allende's economists often clashed with party leaders as their strategy forced political choices in a direction or at a speed that the politicians did not approve of. To protect his economic team from the conflicting pressures of the governing coalition, the president tried to centralize policy decisions in the hands of a few trusted advisors. The extent of government involvement in the economy increased significantly, but the economic team eventually lost control over economic management. Hyperinflationary pressures developed along with increasingly violent political confrontation (Bitar 1986).

During the almost 17 years of Pinochet's autocratic rule, the suspension of core political institutions and procedures allowed the regime to adopt new policy conventions to remove political controls over the economy. A wide range of constitutional, administrative and economic reforms drastically altered the system of resource allocation, consolidating a more autonomous bureaucracy. The technocrats, who were intent on isolating themselves from the demands of interest groups, acquired a hegemonic position in the policy process.

The introduction of uniform tariffs, the privatization of social security and state enterprises, new budgeting procedures and the elimination of government controls and regulations curtailed the private sector's ability to influence credit and fiscal policies and to lobby for subsidized loans, discriminatory regulations, import protection and licenses (Velasco 1994). Traditionally strong labour organizations lost members and bargaining power due to the adoption of repressive labour legislation, cuts in state employment, the erosion of the industrial base and a more flexible labour market.

Business interests, although mostly excluded from policy decisions during the most radical phase of the reform process, were willing to bear the costs of those reforms in exchange for long-term guarantees of protection against the return of socialist threats. During the deep economic crisis of the early 1980s, businesses' acquiescence gave way to active demands for a less dogmatic policy approach and greater inclusion in the policy process. By the mid-1980s, after several changes in the

composition of the economic team and the introduction of corrective measures and emergency policies to ease the impact of the recession, the government succeeded in recapturing the undivided allegiance of entrepreneurial elites. The adoption of a more pragmatic approach to economic recovery, and the strong support provided by international financial agencies, resulted in a period of sustained economic growth (Silva 1998; Mesa-Lago 2000).

## **Economic Ideas, Technocrats and Democratization**

Through the 1970s and 1980s, the evaluation of Chile's democratic breakdown by parties and political analysts led to serious self-criticism. Intellectuals recognized that in the past their dogmatic quest for ideological purity had been a main factor in the polarization that preceded the military coup. In 1977, political parties were dissolved by decree and they were not allowed to operate again until 1987. In the meantime, party activities had to be disguised under the umbrella of non-political organizations. Think-tanks flourished, favouring the emergence of a new type of leadership that was more cosmopolitan and policy oriented (Montecinos 1998b; Puryear 1994). There were calls to renew partisan discourses and organizational structures, to prevent a return to the old style of confrontational rhetoric, and to adopt a more co-operative and pragmatic political agenda.

While the politicians were still working underground and criticism of the regime was forbidden, economists gained political visibility. Those at the political centre and on the left became increasingly involved in party politics, working together to form a common platform for the opposition and increasing their credibility by changing party identities and discourses. Economists' professional credentials, along with their image of moderation and pragmatism, became a source of legitimacy for the opposition. They contested the Chicago Boys' claims to professional superiority and publicized technically sophisticated criticisms of the government's policies. The government's charge that democratic politicians were populists, demagogues, irresponsible and incompetent was disqualified.

By the late 1980s, opposition economists were replacing public denunciations of the Chicago Boys' misguided approach to economic management with displays of erudition regarding the new international economic consensus: open and competitive markets now appeared as the only viable development option. The Concertación announced that it would not make major changes in economic policy and that it was ready to collaborate with business organizations, which were firmly supporting the continuation of authoritarian rule. To avoid political confrontation and facilitate the transition to democracy, successful economic performance had to be maintained through technically sound policies. After all, the country had already paid the heavy costs of reforms, the economy had been opened, interest and exchange rates, tariffs, taxes and wages could no longer be manipulated for political gains, and the bureaucracy had been streamlined, decentralized and stripped of many of its former functions. A cautious, gradualist approach to respond to social demands and a firm commitment to fiscal austerity would be the hallmark of a Concertación government.

In a country where the main political traditions of Marxist and Catholic inspiration were inimical to market capitalism, party leaders acknowledged that market-based programmes would only be accepted with great reluctance. The parties were not convinced that the economists' consensus and growing political clout warranted abandoning their traditional ideological and policy commitments, but the economists' message was reinforced by their relentless warning that economic uncertainty could easily derail the transition process. The troubled populist experiments of democratic transitions in neighbouring countries validated the economists' admonition that economic discipline and political prudence were crucial to successful democratization.

The Concertación has used the ban on economic populism as a major legitimizing device since the 1980s. The right-wing opposition has vigilantly monitored government spending, reminding officials of their promises to preserve fiscal discipline and responsible economic policies. Any changes in domestic economic indicators, posted by the international economic media, are rapidly inter-

puted as a sign to foreign investors whose volatile reactions are feared. Indeed, even after the rise in the unemployment rate in the late 1990s, departures from policies that emphasize high growth and low inflation seem unimaginable.

Agreement regarding the need to preserve a smaller, more efficient and less intrusive state remains significant. Yet, as explained above, critics argue in increasingly forceful terms that a more active regulatory state is necessary, that successful economic performance is not enough to strengthen democratic legitimacy, and that elitist policy making only aggravates public disaffection with the political system. Politics has lost much of the significance it had in the past. Congress and politicians are seen as distant and ineffective. Public opinion polls indicate disturbing signs of political apathy. In the late 1990s, polls registered an unprecedented 47 per cent of the respondents as “independent” or “uncertain” about their ideological orientation, and 43 per cent declared a lack of interest in politics. Political parties were ranked lower than most other institutions as vehicles to solve people’s problems, and those who responded that parties are indispensable for a democratic government have fluctuated between 50 and 60 per cent, after reaching a peak of 83 per cent in 1991 (Siavelis 1999:248–252).

After the transition to civilian rule, the variety of social movements that had emerged during the struggle against the military regime experienced a decline in political influence and level of organization. No overarching strategy existed to include them in policy negotiations, and no new mechanisms were created to bridge the gap between local groups and national political parties. A modality of state policies centred on competition for small grants to finance the implementation of projects initiated at the local level resulted in a limited transfer of resources and skills. Local leaders complain that many of their demands have been ignored or co-opted by a system that favours consensus and technical proficiency over citizens’ participation (de la Maza 1999).

## **The Depoliticization of Economic Policy Making under Chile’s New Democracy**

The Concertación programme of “growth with equity” required a sophisticated exercise in “political engineering”. The government strategy called for simultaneous advances in apparently incompatible goals: the consolidation of market reforms and the satisfaction of social demands; tax increases to finance social programmes and incentives for investments and savings; the protection of workers’ rights while maintaining flexible labour markets. The complexities of these challenges demanded a skilful, creative and flexible leadership style as well as an organizational setting that allowed the pursuit of national goals over narrow, sectoral demands (Weyland 1997).

Administrative innovations were implemented to promote the modernization of the state apparatus within a markedly technocratic approach to government. President Aylwin named economists to head the ministries of Finance, Economy, Public Works, Education, Planning and Labour. Even the highly political post of Ministry of the Presidency (SEGPRES), a new cabinet nomination, went to an economist. The cabinet was structured around the leadership of Minister Edgardo Boeninger, at SEGPRES, and Finance Minister Alejandro Foxley. Co-operation was enhanced by a system of appointments that paired Socialists and Christian Democrats in different policy areas and government agencies. Internal tensions were regularly resolved in the privacy of cabinet meetings and through ad hoc mechanisms aimed at facilitating regular consultations with Congress and party leaders (Boeninger 1997:454). A “shield of support” formed around the economic team, protecting Foxley against the political isolation in which finance ministers find themselves when they are targets of unsatisfied social and sectoral demands.

SEGPRES was created to increase efficacy by co-ordinating the overall policy process within a long-term strategic vision (Boeninger 1995). Charged with ensuring fluid relationships between a cohesive executive branch, Congress, political parties and social organizations, SEGPRES became the core of what many called the “transversal party”, a vast network of economists and

other policy experts co-operating across party and bureaucratic lines. This powerful agency managed to integrate the political and economic dimensions of government by facilitating agreements regarding the legislative agenda, evaluating the implementation of the government programme, and scrutinizing the technical and political viability of all policy and legislative proposals. SEGPRES was designed to oversee formal mechanisms of consultation and programming (interministerial committees, bipartisan commissions) as well as the more informal consultations and exchanges between groups of academics, social and political leaders, and a multitude of technical advisors working in ministries, political parties and Congress.

As a top government official explained, the first Concertación administration benefited from a “honeymoon effect”, during which Aylwin received a blank cheque to preside over a system characterized by many “subtle forms of authoritarianism” (cited in Montecinos 1998a:123). His successor, President Eduardo Frei Ruiz-Tagle, was unable to reproduce the same level of cohesiveness and consensus. President Frei—described as a president whose profile better fit the entrepreneur than the politician—also relied on a highly technocratic team and was determined to avoid conflicts in the pursuit of policy efficiency and modernization. But tensions within the administration, political parties and Congress were visible on several occasions. Social mobilization increased among students and workers, and political parties split on socioeconomic matters (from the need to introduce a divorce law to the privatization of state enterprises) and various constitutional and human rights issues (most noticeably on the handling of Pinochet’s incorporation in the Senate and the legal proceedings following his arrest).

Under Frei, SEGPRES became less effective in buffering political disturbances. For example, when the prestigious economist Juan Villarzú, a Christian Democrat with experience in government and in the private sector, became the minister of SEGPRES in 1996, his task was to improve government relations with Congress and with political parties. Many predicted conflicts between Villarzú and Eduardo Aninat, the powerful finance minister, although Aninat cheerfully declared that an economist in SEGPRES would “understand the sensibilities of Hacienda”.<sup>5</sup> While both ministers were unambiguously identified as champions of economic orthodoxy, the expected clashes did occur and the outspoken Villarzú was replaced in October 1998. He and Aninat disagreed, among other highly publicized issues, on the need and opportunity for tax increases to finance social spending at a time of declining fiscal revenues. The “transversality” model was beginning to crumble.

Although Congress’s role as an arena for interest representation and political compromises is limited, just as its prerogatives both in terms of law making and oversight functions are restricted, the imbalance between executive and legislative powers has not resulted in congressional obstructionism or significant interbranch conflict. Executive-legislative negotiations have not disappeared because the competitive nature of the party system has persisted and the transition process has relied heavily on the avoidance of ideological polarization and a generalized commitment to foster a consensual style of negotiations. Yet, it has been argued that the pattern of informal negotiations between the president and the opposition or between the president and interest groups, which has so far facilitated interbranch relations, may eventually exacerbate the institutional weakness of Congress and the resentment of elected officials who feel excluded or forced to go along with decisions in which they have not participated. Interviews with legislators and government officials point to the concern for this type of “veiled authoritarianism” that informed the practice of consensual politics.

Siavelis argues that it is not just exaggerated presidentialism that makes Chile an example of the perils that the recent literature on political institutions associates with it. In his view, Chile has a highly problematic configuration of institutions combining strong presidentialism, a majoritarian electoral system, a complex multiparty system, a majority runoff presidential election and non-concurrent presidential and legislative elections. Despite the record of stable and consensual politics that prevailed in Chile in the 1990s, it is expected that this set of institutional features is likely

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<sup>5</sup> See *El Mercurio* (6 October 1996:D1; 11 October 1996).

to create future difficulties in interbranch co-operation and prevent the election of majority presidents (Siavelis 2000).

## **Political Parties, Coalitions and Technocrats**

The efforts to create a new “culture of negotiation and agreement” led to the introduction of *concertación* mechanisms, such as regular dialogues between the government, employers and labour organizations on minimum wages, minimum pensions, family subsidies and other issues. New consultation procedures were established to implement what government officials and some leaders in the opposition called a “national project”.

Tripartite negotiations, which were discontinued after a few years, were largely based on proposals developed by policy experts working in the research divisions of sectoral organizations and government agencies. Gaining the trust of business leaders while maintaining the support of organized labour has been made possible in part by the consistent emphasis on technical criteria and the preservation of macroeconomic equilibrium. Labour demands have been contained and the number of labour conflicts and strikes has remained below historical levels. Union activism, still affected by economic restructuring, has adopted a less ideological approach to the negotiation of working conditions, wages and benefits. Proposals to reform labour legislation were delayed in Congress and finally approved in mid-2001, although the most repressive features of the labour code, in terms of arbitrary firing, the right to strike and union organization had already been softened. Collective bargaining was reintroduced, but the state is no longer an arbiter of labour disputes. Attempts to build a stronger, more autonomous labour movement have been made in recent years, but without success. The relationship between unions and the government is more strained than in the early years of the transition.

No changes have been made in the rules that insulate monetary authorities from political pressures. Today, the independence of the Central Bank is fully consolidated and does not constitute a matter of political debate.<sup>6</sup> In part, the Concertación lacked the legislative majority required to amend the Constitution, but the independent Central Bank also performed a valuable signalling function. The government could no longer resort to the Central Bank to finance deficit spending and could not change the composition of the Bank’s Board whose highly qualified members serve 10-year terms (with staggered renewal every two years). International investors did not have to worry about Chile’s commitment to macroeconomic stability and domestic critics could not blame the government for keeping anti-inflationary measures at the top of the policy agenda.

Chile’s traditionally strong political parties survived the long period of proscription, but they have undergone important changes. Instead of the centrifugal polarization that characterized party politics in the pre-coup period, competition is now structured around two main coalitions: the Concertación and the opposition Unión por Chile, which includes the UDI, the RN and other minor parties. Despite the persistence of ideological differences, an unprecedented pattern of interparty co-operation has been maintained for over a decade, thanks to the existence of new electoral rules, the parties’ internal organizational changes and the deep transformations in the parties’ institutional environment.

The 1980 Constitution introduced a two-member district system aimed at reducing party fragmentation and ideological polarization. This change in the electoral regime was intended to radically transform the Chilean party system, but the electorate still adheres to parties in the left-right continuum in proportions similar to those of the pre-coup period. The party system

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<sup>6</sup> The 1980 Constitution changed the legal status of the Central Bank, granting this agency a high degree of autonomy and extraordinary attributes that, in addition to monetary policy, include foreign debt payments and control over the exchange rate. The “organic law”, which was enacted at the end of 1989 when the military regime was about to relinquish power, was a defensive strategy used by Pinochet’s advisors to restrict the discretionary use of monetary policy. A fully independent Central Bank was intended to suppress any future attempts to resurrect populist economic policies (Boylan 1995).



remains divided into six major political parties, with none holding a majoritarian position. The new system of seat allocation established that a party or coalition must obtain 66.6 per cent of the vote received by the two largest parties or coalitions to win both seats in a district. Although the justification for this formula was to favour the emergence of coalitions – parties need to join forces to secure the required percentage of the votes – it has served to marginalize smaller parties on the left while guaranteeing the right an inflated representation in Congress. In 1997, the right had 18 senators and the Concertación had 20, but the right's dominance was achieved with the votes of the unelected senators.<sup>7</sup>

Many party activists from the centre and the left complain that the process of ideological renewal, which contributed to moderate competition and flexible negotiations, have led the parties to betray their historical convictions, that principles have been replaced by rational calculations and that individualism is growing at the expense of group identity. Critics charge that the government's emphasis on consensus and policy coherence has placed the parties in a subordinated position, and that the technocrats' policy preferences prevail either because the parties' access to the policy process is mediated by the technocrats or because the parties themselves have become increasingly dominated by groups with technical credentials (Montecinos 1998c). Political parties are less connected to their constituencies, and their ability to satisfy sectoral demands and distribute benefits to specific groups is more limited than in the past; however, parties have decidedly served as an important source of legitimacy for democratic reconstruction.

Party loyalty and discipline have managed to preserve the unity of the Concertación coalition, providing crucial support for the implementation of government policies. The governing alliance has prevailed in three presidential and three congressional elections. Ten years in power, however, have dissipated a good deal of the Concertación's initial enthusiasm and cohesiveness, especially after the economic downturn of the late 1990s, and the infighting that preceded the nomination of a common candidate for the third presidential contest. In the 1999 Concertación primary election, 71.3 per cent of the votes went to Ricardo Lagos while the Christian Democrat Andrés Balmori obtained only 28.6 per cent of the votes. The election satisfied claims that, after two Christian Democrats, it was the Socialists' turn to control the presidency, but such a resounding triumph for the Socialist candidate aroused heated disputes among the defeated Christian Democrats. It was speculated that the Christian Democratic Party, like its Italian counterpart, had entered a "terminal crisis". Others worried that dissatisfied party factions would try to split the alliance with the left to go their own way, or even join the opposition. But unity was preserved. Lagos's undisputed leadership talents revived the *concertación* ethos, dispelling predictions that the country was unprepared to be governed by a Socialist president.

The two main opposition parties on the right have formed a less cohesive coalition, although their electoral strength has increased and their candidate in the most recent presidential election conducted a formidable and almost triumphant campaign. The strategy of the right has ranged from constructive criticism, advocated by the more liberal segments of the RN, to the UDI's adamant defence of the economic and institutional legacies of authoritarianism. Over time, the UDI has become a significantly stronger party, both in its command over a more intransigent opposition and in its organizational base, which includes powerful entrepreneurial associations and generously financed think-tanks, as well as in its electoral appeal to a large segment of the middle class and many younger, low-income voters. The UDI's share of the vote went up from 11.66 per cent in the Chamber of Deputies and 5.26 per cent in the Senate in 1989, to 17.50 and 21.05 per cent respectively in 1997. By contrast, the RN experienced a decline in voting preferences during the same period and a notable loss in internal unity.

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<sup>7</sup> Congress is formed by the Chamber of Deputies, with 120 members elected every four years through universal suffrage from 60 districts; and a mixed Senate, composed of 38 elected members representing 19 districts for staggered eight-year terms, and unelected (or "institutional") members. The latter includes former presidents who have served at least six years in office, and nine designated senators. These so-called institutional senators are appointed by (i) the Supreme Court (appoints two former ministers of the Supreme Court and a former comptroller general); (ii) the National Security Council (appoints a former head of each of the four branches of the armed forces); and (iii) the president (appoints a former cabinet member and a university head).

The opposition on the left, which includes the Communist Party (PC), the Humanist Party (PH) and other minor groups, has been critical of the transition process. But since smaller parties have no congressional representation, the left's demands for changes in the economic and electoral system, new labour legislation and sanctions for human rights violations have had little resonance in policy negotiations. There is no representative of the Communist Party in Congress although the party obtained almost 7 per cent of the vote in the 1997 election, attracting many dissatisfied Concertación voters.

In the past couple of decades, political parties in Chile have become more professionalized and decentralized. Their leadership style is less ideological and exclusionary, and militancy is less active than in the past. Party platforms have been renewed to accommodate global ideological transformations and parties have begun to integrate more fully the value of the market, efficiency and private initiative. These trends, however, have been disputed and resisted. Thus, the professionalization of party organizations, which according to Panebianco (1988:230) is a contemporary phenomenon, has adopted different expressions, depending on the party and the stage of the transition process.

The enormous influence that technical cadres gained in the political negotiations of the 1980s was a basic pillar for the consensus-building strategy followed during the 1990s. The more traditional party leaders, whose power bases eroded during the years of military rule, disliked the rise of a new, more pragmatic and technocratic leadership, but readily abandoned signs of economic diletantism as they did not want to be accused of populism. Assuming that the fate of the centre-left alliance would be contingent on economic policy outcomes, neophytes retreated, making room for the experts. When Aylwin took office, large numbers of highly qualified and politically committed Concertación professionals helped strengthen the state policy-making capacity and disciplined the parties' approach to social and economic issues. Since then, economic policy has been in the hands of powerful finance ministers and their allies in the cabinet, supported by a vast network of foreign-trained economists employed in various state agencies.

The splendid performance of the country's economy thwarted economic debates for several years. The autonomy with which government and party technocrats behaved was resented but tolerated, because even the most sceptical critics agreed that the continuation of market-based policies had to be accepted as a marriage of convenience. The most contentious opinions were voiced by party members without government responsibilities or by less liberal government economists—neostucturalists, neo-Marxists and neo-Keynesians—who occupied mostly intermediate positions within the bureaucracy, remarked a Socialist economist (interview material).

Another indication of the extent to which parties adopted a more professional stance during this period, particularly on economic matters, is the influence of professional economists in party life. "The economists' discourse has penetrated the parties", said a government economist (interview material). Also, there have been attempts to formalize instances for economic analysis and debate within the party structure, and sometimes across party lines.<sup>8</sup> Although all major parties have a substantial number of economists in their ranks, they do not always access the policy process as party representatives, but instead in their capacity as government officials, or as academics. "The technocratic network is stronger than the party network", according to a PPD economist (interview material); thus economists may create their own spaces when they feel the parties are not providing sufficiently stable or useful instances for policy deliberation. Typically, if economic debate is not associated with a political crisis, it has been left to the government economic team. Party economists participate when convened by the president or the respective minister, but not necessarily to reflect their party's view. The party leadership, not always a participant in economic debates, usually adheres to statements made by the economists—unless the leaders themselves

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<sup>8</sup> An example of the latter is the recent creation of Expansiva, a "transversal" group formed by prestigious economists and other professionals identified with the more "liberal" branch of the Concertación (and some opposition members). The parties are not the place to conduct discussions on the country's economic and cultural transformations, I was told during an interview, because parties are less interested in ideas than they are in getting votes.

are economists, not an uncommon phenomenon in recent years. Former Finance Minister Foxley, for example, was elected president of his party in 1994, immediately after leaving office.

The recent adoption of anti-statist discourses and less clientelistic relationships disconcert those militants who, in the pre-dictatorial years, learned that political parties followed a very different set of rules. The rank and file is rarely involved in economic policy discussions. “The party militancy is not modern”, said a PS member (interview material). Similar assessments are made regarding other parties on the centre-left: a Christian Democrat explained that “as a collective” his party has not become more modern (interview material).

Obviously, not all parties have used the same model, nor have they been equally or consistently successful in institutionalizing a re-examination of economic ideas and policy questions. While the traditionally influential professional committees within the PDC have reportedly become less effective since the transition, during this period the Economic Commission of the Socialist Party amassed a large contingent of actively involved economists—about 300 individuals—who annually elect their representatives and have regular meetings to debate papers and issue reports about the economic situation. But even in this case, Socialist economists complain that their committee is too isolated and that the party continues to operate as a “feudal system”, with party notables controlling particularistic clienteles (interview material).

Moreover, parties vary in the degree of doctrinal heterogeneity that exists among their economic specialists. Economists within the PS and PDC are more diverse than economists in the smaller and newer PPD, where allegiance to market economics is more widely shared. These different perspectives have become more salient as the economy struggles to regain higher levels of growth. The Economic Commission of the PS is currently controlled by a younger generation of economists who are critical of the Concertación model. Because members of his own party are contesting the policies of a Socialist president, this has prompted discussions about the degree of autonomy that the party unit should have. “What is needed, a party member told me”, is to have the party leaders listen to the information coming from the party’s Economic Commission—and then use it in accordance with political criteria” (interview material). Issues of professional autonomy and party discipline are, of course, hard to settle.

Finally, parties have become more professionalized in response to the importance of public opinion polls and the growing tendency among politicians to establish direct contact with the electorate, resorting less to party labels or organizational infrastructure. Chilean voters have responded well to the appeals made by economists-politicians. For example, because of their significant success with the electorate, Alejandro Foxley, Carlos Ominami or Sebastián Piñera, economists with leadership positions in the PDC, PS and RN respectively, can press their parties into conforming to their economic views. “If they have the votes, the parties will not dump them”, noted a Socialist economist (interview material). Because these individuals combine technical skills with strong voting records, their supporters reject suggestions that democracy may be at odds with a system of rules based on knowledge claims. “Why are the technocrats assumed to be non-democratic?” asked a bewildered Socialist economist (interview material).

Not all technocrats abhor being subjected to elections or dismiss popular representation and the need to foster strong linkages with the citizenry. Chile illustrates the ambiguities associated with technocratic politics, which in this case is organically attached to party politics. Is it necessary to conclude that the trend toward a more technocratic style of policy making and the widening role of technocratic elites inevitably threatens the deepening of democracy? Is there a fundamental, irreconcilable contradiction between the technocratic phenomenon and the realization of democratic principles? Or, alternatively, is it possible to distinguish conditions under which the “technocratic spillover”, at least temporarily, makes political institutions stronger and benefits the democratization process?

## **The Chilean Congress in the 1990s**

The 1980 Constitution expanded the legislative power and prerogatives of the president and restricted the ability of Congress to influence policy making. The weak policy role of the Chilean Congress parallels a secular decline in the policy-making power of legislatures observed in other countries. In Chile, however, the gradual erosion of congressional prerogatives before 1973 was compensated by a highly institutionalized party system, a tradition of interbranch negotiations, clientelistic policy making and a series of informal practices that maintained the centrality of the legislature in the overall political system (Siavelis 2000).

In the current system, the president has almost total control over the budgetary process and exclusive initiative to propose legislation related to public employment, remuneration and collective bargaining procedures, social security and other entitlement programmes. The president's great influence in the legislative process can be exercised through the use of veto, decree and emergency powers. Presidents can prevent the consideration of legislative initiatives by calling extraordinary sessions, during which only executive branch proposals may be addressed. Congress needs a two-thirds majority to override a presidential veto. In addition, the president can appoint some members of the Senate and other officials who participate in the designation of unelected senators. The procedures available for congressional oversight—such as investigative commissions, the request for information and constitutional accusations of government officials—are relatively ineffective due to the lack of punitive powers (Siavelis 2000).

Congress lost much of its previous ability to counterbalance the strong powers of the presidency; it has limited opportunities and mechanisms to bargain with and extract concessions from the executive branch and it no longer serves as a major arena for resolving political conflicts. The type of particularistic legislation that in the past served as a system lubricant is widely discredited and unlikely to re-emerge, but no clear institutional alternatives have emerged in its place. The legislative branch, which the military government transferred from the capital city to Valparaíso allegedly in an attempt to increase decentralization, is now chronically affected by a lack of resources: scarce opportunities to introduce or amend significant legislation, insufficient access to expert knowledge and time to study and debate legislation, few informational and staff resources, inadequate access to public funds to satisfy the demands of their constituencies, little influence over the budgetary process, and limited oversight capabilities of government actions. Congress has also lost legitimacy and the public has less esteem and confidence in the probity and effectiveness of its members (Siavelis 2000). The presence of unelected members of the Senate and electoral laws that reduce legislative representation, and even exclude some political sectors from Congress, have only worsened the public image of the legislature.

Although party affiliation is less important than in the pre-coup period, political parties continue to play an important role in structuring political campaigns and influencing crucial aspects of the legislative process—selecting candidates, making committee assignments and floor voting. Furthermore, the cohesiveness and stability of the two main coalitions remains high.

Given the improbable chance of a constitutional amendment that would dramatically alter the rules regulating congressional politics, questions arise regarding the existence of alternative informal arrangements that may enhance, or in the future could increase, the policy role of the Chilean Congress. Short of introducing major organizational innovations in the structure and operating procedures of the legislature, what type of informal structures or practices could alter the balance of power between Congress and the executive branch in the development of economic policies?

Congressional policy effectiveness can be bolstered by changes in the composition and career profile of its members and in the distribution of legislators to specialized committees according to their experience and expertise. Both the Chamber of Deputies and the Senate show high re-election rates, with more than 80 per cent of incumbents in the former and almost 50 per cent in the latter retaining seats in recent electoral contests. Committee membership is also stable. Al-

though party strength is an important criterion in the distribution of committee seats, the committees that deal with complex policy matters show the highest reassignment rates. The Chilean Congress of the 1990s has been described as an unusually professionalized and technically competent legislature (Carey 1999).

If the significant number of economists elected to congressional office since the end of the military regime is taken as an indicator of a technocratic spillover, what consequences has this development had for the way Chilean democracy has unfolded? Analysts tend to assume a strong association between professional socialization and policy preferences. Although it is probably easier to sustain that assumption in the case of economists working for the Central Bank, the extent to which economists in Congress constitute a distinct group is an empirical issue that needs to be determined. In a quite ironic twist, it seems appropriate to wonder whether the technocrats themselves are serving as a functional equivalent of the clientelistic practices that they helped eradicate. Are economists promoting the revitalization of Congress, modernizing its analytical capabilities and enhancing the role of informal negotiations and compromises?

## **A Brief Constitutional History of Congressional Budgetary Authority**

Budgetary politics in Chile have been mired in constitutional dilemmas ever since the beginning of the republic. Thus, current restrictions in congressional budgetary authority are best understood in the context of the country's history. Chile's first constitutions (1823 and 1833) established vigorous executive branch power with ample authority over public finances, but mandated that presidents annually submit their budget to Congress for approval. Congress frequently used the budget as a tool to extract presidential concessions. In 1891, a budgetary dispute triggered a major confrontation between President José Manuel Balmaceda and representatives of the traditional landed and financial elites who opposed the president's programme that included attempts to regulate foreign investments and nationalize credit. A bloody civil war erupted when Congress did not approve the budget proposal and the president insisted on exercising his authority.

The 1891 conflict seems to have left an indelible mark and is still frequently mentioned in debates over congressional and presidential prerogatives regarding state finances. During the first decades of the twentieth century, fiscal deficit and economic mismanagement were widely attributed to the irresponsible budgetary practices that were permitted by Congress's excessive influence over budgetary matters. The 1925 Constitution reinforced presidential powers, ended political interference with the budgetary system and limited Congress's initiative in public expenditures. Congressional prerogatives were curtailed in several ways. The president was given exclusive initiative in the estimation of revenues. The budget law could not modify expenditures established by permanent law; Congress could increase expenditures only if it indicated, at the same time, the sources of the funds needed to meet such expenditures. Time limits were established for the approval of the president's budgetary proposal, and after four months the approval was automatic. Executive powers were again strengthened in the constitutional reforms of 1943 and 1970. The weakening of Congress's budgetary authority prompted ardent protests. Critics interpreted these constitutional reforms as a grave decline of the legislature, an erosion of the principle of separation of powers and a major threat to democracy (Pineda 2000:383).

The legal framework and control mechanisms over fiscal expenditures were refined with the creation of the Contraloría General de la República in 1927, which had the role of authorizing each expenditure. State economic intervention advanced rapidly during this period, prompting a number of significant institutional innovations, including the creation of a Central Bank and other specialized policy agencies. A well-trained cadre of technocrats was recruited to staff a larger, more sophisticated economic bureaucracy, which was being partly designed with the advice of foreign experts (most notably, Princeton Professor Edwin Kemmerer).

Interbranch conflicts intensified again in the late 1930s, when the Popular Front government proposed constitutional reforms to further reduce congressional spending powers and right-wing

parties in Congress opposed the creation of Corporación de Fomento a la Producción (CORFO), the state development corporation that would later launch the country's largest industrialization projects (Frei 1970:36).

Not without controversy, the first amendment to the 1925 Constitution (Law 7,727) was approved by a majority of votes in 1943. This reform increased the power of the executive branch and imposed additional limitations on Congress's ability to intervene in public expenditures. The government argued that Congress's budgetary powers continued to disrupt state finances. The reform determined that Congress could only accept, reduce or reject expenditures proposed by the executive branch.

The 1943 reform was nonetheless once again considered insufficient since Congress retained initiative in important areas such as wages, taxes and social security. The president obtained exclusive initiative to increase the salaries of public sector workers and to create new public services and employment, but in practice this was nullified by Congress's initiative to determine private sector wages. In addition, Congress was able to continue attaching hundreds of "indications" to unrelated legislative proposals to accommodate parochial interests, granting special benefits and privileges to pressure groups.

In 1964, President Jorge Alessandri Rodríguez, a conservative entrepreneur who had served as a senator and finance minister, unsuccessfully proposed a more radical constitutional reform to strengthen presidential budgetary powers. "If the president has exclusive responsibility in the management of state finances", he argued, "it is only logical that parliamentarians have no initiative whatsoever in this matter" (quoted in Pineda 1996:123).

An entrenched institutional prejudice against Congress developed over time, much of it justified by the parliamentarians' spending propensities. Finance Ministry officials, in particular, became "exasperated" with congressional behaviour (Cleaves 1974:80). The "anti-Congress bias" expanded as officials in charge of economic policy tried to incorporate budgetary policy as an integral tool of economic planning. President Frei, a well-regarded lawyer with expertise in economic matters, had been a strong, outspoken member of the Senate Finance Committee and a firm believer in the benefits of economic planning and anti-inflationary policies. In his view, the transfer of budgetary powers to the president was essential to enhance the rationality and coherence of government plans, ending a history of pernicious, opportunistic interferences in the budgetary process through politically motivated tax exemptions, pensions and wage increases that had resulted in secular deficits, inflation and policy improvisation.

The 1970 constitutional reform (Law 17,284), approved at the end of Frei's presidency, expanded the executive branch's budgetary authority. The Constitutional Tribunal was created and a provision was added for calling a plebiscite in cases of constitutional conflicts between Congress and the executive branch. Congress was stripped of all initiative in the areas of social security, taxation, wages and fiscal budget. The reform also eliminated Congress's resort to "miscellaneous laws" that targeted spending aimed at specific constituencies. Congress could only approve or reject public spending, without affecting its structure on the basis of particularistic considerations. Congressional powers were diminished, but its oversight of the execution of the fiscal budget remained in place.

At the time, critics charged that this reform not only weakened Congress, but in fact amounted to the creation of a "Caesarist" presidential system (Pineda 1996:126), leaving Congress as a mere "decorative entity" (Lagos 1970:61) and allowing "unrepresentative government bureaucrats" to gain excessive influence in the policy process. Scholars have argued that the ending of traditional logrolling practices and Congress's ability to participate in budgetary trade-offs contributed to the escalation of ideological conflicts and eventually to the country's democratic breakdown (Valenzuela 1978; Shugart and Carey 1992:202, 277).

As seen above, constraints over the discretionary power of politicians in economic policy making have an old tradition. Governments of differing ideological persuasion advanced constitutional reforms that gradually weakened congressional prerogatives in favour of greater presidential discretion over economic management. It is against this long-term evolution of the budgetary process that the constitutional norms introduced under the military regime should be evaluated. Thus, it should not be assumed that the restrictive budgetary procedures that democratically elected governments have faced in the 1990s are primarily a legacy of Pinochet's rule.

The 1980 Constitution reaffirmed many of the budgetary rules that were already present in Chilean legislation. This historical continuity may explain, at least in part, the remarkable degree of consensus over the institutional framework for economic policy that has prevailed in the post-authoritarian period. Interviews confirm that no major party is questioning the central features of the existing institutional arrangement. The president's exclusive budgetary initiative and veto powers are accepted as beneficial to economic stability. "We do not want initiative", said a Concertación deputy; "it is thanks to the exclusive initiative of the president on expenditures and taxation that we have budget surpluses and a low inflation rate. We have avoided populism, which is democracy's great enemy" (interview material).

The commission that drafted the 1980 Constitution worked for several years in a highly secretive environment while Congress was closed, political parties were banned and public opposition was forbidden. Constitutional power was in the hands of the military junta and a small group of conservative politicians and neoliberal policy experts, among them, Alessandri, the former president who had championed the expansion of executive branch powers in the early 1960s. Government economists—the Chicago Boys—favoured drastic changes in budgetary rules, advocating constitutional limits to government spending—to be calculated as a fixed percentage of gross national product—and firm restraints on the discretionary power of bureaucrats and politicians, who were perceived as irresponsible and self-interested.

The constitutional commission could have introduced major innovations in budgetary procedures, but the new budgetary rules did not follow the most uncompromising proposals advanced by government economists. Constitutional provisions on budgetary matters did preserve a bias toward conservative fiscal policies and limited the options of elected governments, especially as these rules interact with other institutional legacies of the authoritarian period—most notably the electoral system—but they essentially reaffirmed, albeit in a more extreme version, some of the principles already adopted in previous constitutional reforms. The new procedures were designed to divorce fiscal policy making from partisan and political criteria and to reaffirm presidential hegemony in economic policy, granting the president important advantages over Congress in budget negotiations. The drafters of the Constitution, of course, did not expect that the enlarged discretionary powers of the presidency would eventually benefit Pinochet's opponents.

The norms that currently regulate the budgetary process are based on a decree law approved by the military government in 1975 (Decree Law 1,263) and later incorporated into the 1980 Constitution. This decree introduced important reforms, unifying into a single budget the centralized and decentralized sectors of the state—the budget law previously covered only the centralized public sector—and imposing new restrictions in the transfer of funds among budget items. At the time, Chile also introduced a system for the evaluation of public investment projects that is still in operation.

The executive budget proposal, prepared by DIPRES on the basis of requests made by the various ministries, is sent to Congress by 1 October each year and then goes to the Joint Budget Committee (JBC) for discussion. The JBC consists of 13 members from each chamber. The Chamber of Deputies appoints all 13 members of its Finance Committee; and the Senate appoints five members of its Finance Committee plus another eight senators, divided more or less evenly between representatives of the government and the opposition.<sup>9</sup> During the six weeks of budget hearings,

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<sup>9</sup> The Concertación has so far been able to maintain a majority in the JBC thanks to its dominance of the Chamber of Deputies and its strong representation in the Senate (Baldez and Carey 1999).

the JBC is divided into five subcommittees that review the spending proposals of the ministries, requesting additional information and clarification from government officials and external testimony as needed. Amendments proposed by the subcommittees go to the JBC for further debate and negotiation before returning to the respective chambers. Further amendments may go back to the JBC to reconcile differences within the 60-day limit established by the Constitution.

According to Articles 62 and 64 of the 1980 Constitution, the proposed budget is enacted if Congress fails to pass it within 60 days of submittal. Congress may not increase or diminish the estimate of revenues, which is the responsibility of DIPRES. Congress may only reduce the expenditures contained in the president's proposal, except those established by permanent law. Since fixed spending accounts for about 85 per cent of all appropriations and because cuts on visible or popular projects are politically costly, the legislators' ability and willingness to cut proposed spending is constrained. Because the budget law approved by Congress determines the maximum authorized expenditures—except for a constitutional provision contained in Article 32 (No. 22) that authorizes deficit spending in cases of national emergency up to 2 per cent of the total budget—the government retains a significant margin of discretionary power regarding the actual level of expenditures, a point that has generated much discussion in the past decade. Congress cannot alter the spending distribution proposed by the president, because that would imply it could exercise initiative. As in the previous Constitution, Congress may not approve additional expenditures without indicating at the same time the sources to meet such expenditures, but the current Constitution does not permit Congress to create new sources of revenue. In addition to holding exclusive initiative over the financial administration of the state, the president has exclusive initiative over tax policy. Internal controls over the budgetary process are in the hands of DIPRES. In addition to Congress, the State Treasury and the Contraloría,<sup>10</sup> which evaluates the legality of government actions and can request public agencies to report revenues and expenditures, have oversight powers over the budget.

## **Budgetary Reforms in the 1990s**

Throughout the 1990s, Congress approved the proposed spending of the executive branch with minor or no alterations. Annual interbranch negotiations, however, have permitted Congress to exert greater influence and extract concessions. Since the transition to civilian rule, the level of politicization regarding budgetary procedures has increased as members of Congress have tried to reduce the institutional imbalance sanctioned by the Constitution, claiming a larger role in debating and evaluating the political aspects of the budget while attempting to circumscribe the government's discretionary powers.

The stability of political coalitions, the rules of the Chilean Congress in terms of committee membership and the high rate of re-election of representatives indicate growing levels of experience and specialization in legislative activity. Passionate allegations and formal reform proposals have been made to alter some of the budgetary norms that legislators feel render their role irrelevant. The opposition has been especially vocal in its demands for greater and more effective congressional participation in the budgetary process, but Concertación representatives have also joined in the efforts to provide Congress with greater policy capacity and budgetary authority. Especially contentious have been the discussions regarding the government's unrestricted authority in the execution of the budget, the actual level of spending, the transfer of funds authorized by government decrees, the short time that Congress has for debating and amending the budget proposal, and the amount and quality of information that legislators receive from government sources.

Constitutional ambiguity regarding the president's veto power has led to disagreements over whether and how the president might challenge Congress by rejecting the amended version of the

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<sup>10</sup> The Contraloría (comptroller) reviews executive decrees that authorize expenditure or transfer of funds and ensures that government agencies spend funds for the purposes specified. The comptroller is appointed by the president, subject to confirmation by the Senate, and cannot be removed for political reasons.



budget. The president has veto power over normal legislation, but the constitutional article on the annual budget law does not mention the veto, and thus may implicitly preclude it. But even without the threat of a presidential veto, legislators cannot make credible claims to block the budget if the president's proposal is to be automatically approved after the 60-day debate period is over. This uncertainty has been interpreted as a factor contributing to the executive branch's ability to bargain for higher spending than Congress preferred on certain programmes (Baldez and Carey 1999).

In the past few years, a number of prominent constitutional experts have been called upon to clarify disagreements over the character of the budget law and to comment on the constitutionality of budgetary practices that may lead to government arbitrariness and to the infringement of congressional authority. Some legal analysts have argued that the budget law has a peculiar character due to its periodicity, its technical complexity and the relatively subjective parameters on which it is based. The Constitution, they say, permits the government to make adjustments by decree because revenue and spending estimates are likely to vary in the course of the fiscal year. Since the budget is a fiscal policy tool, the government must implement the law in accordance with technical criteria oriented to the efficient allocation of resources. The budget law, in this view, is more appropriately characterized as a "legal framework" (*ley marco*). Other constitutional scholars have taken the position that the budget law is like any other law and should not be interpreted as an administrative action submitted to Congress for approval. Thus, the government's budgetary flexibility should be understood in more restrictive terms. In particular, the use of decrees should be more limited, so that modifications of the approved budget law should require a new bill, even at the risk of making the process more rigid (Pineda 2000; Carmona 1999).

Confrontations over the budget also reflect ideological conflicts. The governing coalition and the opposition have philosophical differences regarding the extent of government intervention in the economy and the overall level of public spending, with the opposition favouring less of both. Budgetary disputes are further aggravated by conflicting ideological and institutional spending preferences for specific agencies and programmes, such as appropriations for the military and women's programmes (Baldez and Carey 1999).

March 1997, when 12 senators challenged the constitutionality of a decree issued by the finance minister, was an important juncture in the evolution of interbranch relations regarding the budget. They alleged that the executive branch had excessive flexibility in the execution of the budget and requested that all changes to the approved budget be made only after approval of a new law. The Constitutional Tribunal ruled in favour of the government and confirmed that the Constitution gives the government ample prerogatives and flexibility to use the budget as a fiscal policy instrument. The tribunal argued that it was legitimate for the government to make adjustments and transfer funds by decree. Since then, however, a series of interbranch negotiations have led to the formalization of political agreements aimed at increasing transparency and facilitating congressional participation in the budgetary process. The so-called protocols, signed by Congress and the finance minister, are not yet fully institutionalized and therefore depend on the disposition of the negotiating parties. The protocols were an initiative of DIPRES, but responded, in part, to congressional demands for greater accountability. As the budget director explained in an interview:

Accountability helps finance ministers to ensure efficiency in the use of public resources. DIPRES wants more accountability, not less.... The protocol is a good instrument; it contributes to fiscal discipline and it gives voice to Congress. The Chilean Congress is rigorous in fiscal matters because the opposition wants to spend less, and the Concertación wants to spend better.

The budget process includes three stages: preparation, approval and execution. Congressional influence is highest during the second phase, but Congress has obtained additional prerogatives, especially in terms of control over the execution of the budget. Congress now receives, with pre-established periodicity, more detailed information regarding the evolution of government expenditures, the transfer of funds, the fiscal balance of state enterprises and the external evaluation of government programmes.

The budget law is the only law that can result in rapid and direct benefits. It covers all state agencies, except municipalities. Yet, since 300 of the 360 municipalities receive funding from a common redistribution fund, which itself is part of the budget law, local governments are indirectly affected by budget negotiations.

In practice, congressional input is not limited to the rejection or reduction of proposed spending because budget items are accompanied by *glosas*, annotations that interpret or comment on the various budget items and specify the destination of funds.<sup>11</sup> It is through negotiations over the *glosas* that legislators are able to obtain some clientelistic benefits, and the government may be open to bargaining in order to secure approval for the overall bill. “Those who understand the *glosas* are able to understand the budget. The ‘real’ budget is contained in the *glosas*”, explained a legal specialist (interview material).

Congressional complaints over existing budgetary procedures have centred on the following issues (Carmona 1999).

1. The lack of transparency and detail of the *information* provided by the government. Because legislators do not have control over revenue estimates, the government can overestimate them – or underestimate spending – and create the possibility of increasing expenditures beyond the maximum approved by Congress. Congress does not have adequate means to scrutinize the veracity or completeness of government data, even when legislators request additional reports from ministries and other executive branch agencies. DIPRES, particularly zealous in protecting its own power, allegedly sends Congress information that is not easily interpreted.

“We have more information, but not the analytical capacity that is required”, said Senator Sergio Bitar, a left-wing member of the Finance Committee (interview material). Opposition legislators also lament that the work of the budget subcommittees is too mechanical and detailed, and too focused on how much was spent on a particular item instead of having broad discussions about the political implications of the budget. During the 2001 budget discussion, Deputy Pablo Lorenzini, a Christian Democrat, addressed the Chamber floor and the public in these terms:

At the Budget Committee we receive detailed information for each ministry, hundreds of pages of numbers, we cannot even check if these numbers add up; about 500 pages for just the Ministry of Public Works, another 500 pages for the Ministry of Agriculture.... It is expected that this congressman, who is an expert, who is an economist, who knows about budgets, in only two or three sessions of two to three hours, in addition to today’s session, gives an opinion about the nation’s budget for the coming year! How is it possible that we cannot give our opinion about the macro concepts, our ideas on inflation, interest rates, exchange rates, copper prices! ... Congress is castrated, our budgetary action is null (Chamber of Deputies 2000).

2. The inadequate mechanisms of *control* to ensure that the government spends the amounts and for the purposes intended by the legislature. Since Congress is limited mostly to the approval of the annual budget law, the execution stage is largely at the discretion of the executive branch. Government figures show that the maximum spending approved by Congress has never been surpassed (Dirección de Presupuestos 1997:14). Opposition think-tanks, however, have calculated that in the early 1990s, the maximum spending limit exceeded the approved limit by as much as 6 per cent (Pineda 1996:209).

In addition, congressional scrutiny has focused on the government’s ability to decree transfers between ministries without requesting congressional approval, as mandated by the Constitution. Indirect interministerial transfers are possible by an administrative mechanism that allows the movement of funds from one

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<sup>11</sup> The budget law has approximately 500 pages, twice its previous length, due to the addition of *glosas*.

ministry to the Public Treasury (Provisión para Financiamientos Comprometidos) and from there to another ministry.

3. The unsatisfactory *performance* of government investment and programmes. Legislators have complained that increases in public spending have not resulted in commensurate improvements in social indicators. It has been argued that social programmes, in particular, are not adequately evaluated.

Several adjustments were made in the budgetary process in the course of the 1990s, partly in response to congressional criticism regarding insufficient transparency and exaggerated government prerogatives in the execution of the budget. The most significant budgetary changes introduced in the past decade are summarized below.

1. Since the budget law of 1993, additional restrictions have been imposed on the executive branch's prerogatives regarding the execution of the approved budget, augmenting the cases in which changes to the budget require the approval of a new law.
2. In 1995 it was mandated that every trimester the budget director inform the Budget committees of both chambers of the evolution of revenues and expenditures. Also, state enterprises must send copies of their financial statements to these committees twice a year. Budget information is currently posted on the DIPRES Web site.
3. The budget law of 1997 was complemented by a formal protocol that was negotiated and signed by Congress and the executive branch. This document does not have legal standing, but it is considered of great political significance, a sign of congressional assertiveness and interbranch co-operation in budgetary practices. The new norms increased the oversight prerogatives of Congress. New obligations were introduced regarding information and control to increase transparency and efficiency. All state agencies – with the exception of the Contraloría, the Central Bank, the municipalities, the armed forces, public enterprises and the National Television Board – must inform Congress of their goals and results. Transfers through the Public Treasury, objected to as a mechanism used by the government for altering spending priorities without congressional approval, were reduced significantly in the 1990s, from about 8 to 2 per cent of public expenditures. The protocol also refined norms regarding periodical reports to Congress containing detailed information about the execution of each item contained in the budget law, and included new dispositions regarding the hiring of honorarium personnel and the modernization of the rules regulating government procurement.

For the first time, the 1997 budget law conditioned the approval of future spending to the positive evaluation of results linked to current appropriations. The government introduced the Programa de Evaluación de Proyectos Gubernamentales (PEPG), a system for the ex-post evaluation of the performance of public programmes to be included in the budgetary cycle. It was established that external experts, following guidelines developed by the International Monetary Fund (IMF), the Inter-American Development Bank and other international agencies, would evaluate 20 government programmes selected by the Finance Ministry. DIPRES is the agency in charge of the design and operation of this programme, assisted by an interministerial committee formed by representatives of three ministries – SEGPRES, the Ministry of Planning and Cooperation (MIDEPLAN), and Finance. PEPG information has been attached to the annual budget law since 1997. Since its inception, PEPG has added new agencies and new quantitative indicators within an increasingly standardized format.<sup>12</sup> The standards used to evaluate the performance of state enterprises are similar to those employed in the private sector: performance is measured according to criteria of efficiency, efficacy, economy and quality in the provision of goods and services. External experts can recommend the continuation or elimination of the evaluated pro-

<sup>12</sup> Between 1997 and 2000, a total of 101 programmes were evaluated by a group of about 40 experts specializing in the evaluation of public programmes. The 2001 budget included performance measures for 149 public institutions with a total of 275 indicators (Guzmán 2000).

gramme, or some of its components, and the introduction of changes in the programme's design and operation. Participating institutions must submit their performance analyses together with their annual budget to the Finance Ministry, which later sends this information to Congress.

4. In the budgetary debate of 1998, new compromises were made to maintain previous agreements and add regulations regarding the transfer of public funds to non-governmental organizations (NGOs). This agreement also introduced the participation of Congress in the selection of the evaluated programmes and in the composition of the evaluation teams.
5. The discussion of the 1999 budget law resulted in a new protocol containing compromises between the government and Congress whereby the government agreed to subject its actions to further congressional scrutiny. Evaluated government agencies and external evaluators would inform Congress directly of the measures adopted to increase efficiency.
6. In addition, a new instance for the evaluation of the execution of the budget was created in 2001, based on a new agreement between Congress and the executive branch. Prior to the presentation of the budget proposal, congressional budget committees will analyse information regarding the use and performance of budgetary resources allocated the previous year. Congressional subcommittees will have two months to study the budget, instead of the customary few sessions that legislators complained about.

Throughout the first post-transition decade, the Chilean government has publicized its adherence to rigorous fiscal policy principles and its commitment to improving quality and efficiency standards within the public sector. A series of public management reforms have been adopted during this period, including the creation of a Committee for the Modernization of the State and a new Internal Auditing Council. Both of these bodies have collaborated in attempts to improve the government accounting system and in the diffusion of new methodologies for the evaluation of government programmes.

The Concertación governments have engaged in a highly symbolic display of their commitment to fiscal discipline. That "the government promotes only those measures that have sustainable public financing" is a commonly stated view. As part of this general approach, and to preserve the much-celebrated record of 14 consecutive years of fiscal surplus, Lagos's administration pledged to maintain, from 2001 onwards, a structural surplus equivalent to 1 per cent of gross domestic product (GDP); that is, on average—correcting for annual fluctuations—the budget should register this surplus level.

The structural budget, defined as an indicator of fiscal policy that quantifies the impact of the economic cycle over the budget, is estimated on the basis of methodologies developed by the IMF and the Organization for Economic Co-operation and Development and adapted to the characteristics of the Chilean economy. Government officials explain that the use of the structural balance as a fiscal policy rule is intended to increase transparency, ensure credibility and confidence regarding the government's commitment to fiscal discipline, and place economic debates, expenditures and investment decisions within a medium-term horizon. Also, measuring the cyclical components of the budget is expected to reduce political pressures to increase or reduce public expenditures prompted by transitory economic conditions because government authorities have no control over cyclical factors. In Chile, those factors include variations in the price of copper in addition to tax revenue fluctuations due to changing levels of economic activity. It has been calculated that, despite lower copper prices and the current recessionary context, the structural budget is likely to show a surplus, instead of a fiscal deficit.

During the 2001 budget debate, members of Congress reacted positively to the adoption of the 1 per cent structural surplus, which is seen as a confirmation of the government's vow to increase transparency in the management of public finances. Socialist Deputy Juan Pablo Letelier, a member of the Finance Committee, called it a "historical, transcendental decision" for a coun-

try that is heavily dependent on external markets. Opposition Deputy Rodrigo Alvarez (UDI), another member of the Finance Committee, characterized the 2001 budget as “modern, stable and forward-looking”. He agreed with Letelier, saying that, “a structural surplus is probably the budget proposal’s best contribution to national discussions”.

Government officials regard current budgetary arrangements as having significant advantages, among them the existence of an absolute limit for aggregate spending in the budget law, the possibility of integrating fiscal policy measures within the overall economic policy framework, a centralized budget with decentralized spending, a strong Contraloría, periodic reports to Congress regarding the execution of the budget, and a stable and technically competent staff in DIPRES. The Budget Director, in his report to the JBC in 1997, praised the budgetary institutional apparatus as “extremely efficacious in preserving a successful fiscal policy”, adding that, “Very few countries can show a consistent trajectory with over a decade of rising public savings rates, investments growth in relation to GDP, and, at the same time, significant reductions in the size of the public debt” (Dirección de Presupuestos 1997:14).

The modernization of the state financial system, however, continues to gain importance. Finance Ministry officials characterize recent budgetary debates and reforms as still partial and incomplete. In their view, the various pilot programme evaluations initiated during the 1990s need a more coherent strategic framework to generalize the view that “avoiding excess spending is not enough, public sector resources ought to be well spent...the government has to account for the way tax revenues are used...accountability is a central component of modern democracies” (Dirección de Presupuestos 2000:37–38).

Informed by recent literature on public sector finances as well as international experiences, especially in Anglo-Saxon countries, the government has initiated deeper doctrinal and operative changes in the budgetary system. A new Information System for State Financial Management (SIGFE) was introduced for the 2001–2004 period. With the implementation of this new programme (only five institutions participated in 2001), which was developed by DIPRES in co-operation with the Contraloría and with the technical support of the World Bank, it is expected that within three years Chile will have the “most modern and efficient public finance system in Latin America” (Dirección de Presupuestos 2000:36–50).

Some of the most important characteristics of the new system are: (i) the use of mid- and long-term projections, intended to facilitate the detection and prevention of potential budgetary disequilibria to replace the one-year horizon used until now in budget calculations; (ii) improvements in the quantity and quality of the budgetary information made available to Congress to permit greater transparency; (iii) more precise measurements of the economic cost of public sector activities and the evaluation of public investments within a results-oriented public management system that will simplify administrative procedures and help the reformulation of existing programmes aimed at improving public sector management; and (iv) incentives for public sector “managers” (introduced in 1998) to encourage greater use of “market signals” in public policy making (Dirección de Presupuestos 1998:26–28).

## **Congressional Policy Capacity**

The changes listed above show that despite Congress’s limited constitutional powers, its campaign to modify the budgetary process has been remarkably successful, in no small part because the Finance Ministry has been a willing partner in the design and implementation of reforms. The level of frustration among legislators of all ideological persuasions, however, remains high. Based on the author’s interviews with members of Congress, conducted in mid-2000, it can be concluded that the adopted changes have only begun to address the problems of seriously weakened legislative power. Legislators expect that the budgetary procedures will continue to become more transparent, that Congress will receive more meaningful, detailed information and that their analyses of the nation’s budget will become more thorough and less constrained

by time limits. “We need more discussion about policies, not just figures”, said Socialist Deputy Carlos Montes.<sup>13</sup>

The metaphor of a “mailbox” (*buzón*) was often used to describe the role of Congress in the budgetary process. Congress has “no say in the economic programme”, said a Socialist deputy, “it is reduced to receiving the budget sent by the government for approval”. He added that members of Congress were not heard in 1997 when they raised questions regarding the impact of the Asian crisis and criticized the macroeconomic assumptions used by the government: “We had signals from our districts that the crisis was more serious than the minister thought, but ministers do not like to debate with the legislators” (interview material). At most, according to another deputy, members of Congress can act as “custodians”, provoking scandals over the mismanagement of public money. Besides, if Congress cannot alter taxes, “What is the point of discussing the budget?” (interview material).

Constitutional limitations are an important but not the only reason behind the low profile that Congress currently has in economic policy making. Institutional and organizational weaknesses also hamper the exercise of congressional oversight functions. Proposals for the creation of a permanent Budget Committee, the constitution of a Congressional Budget Office or the hiring of permanent technical staff to advise members of Congress have generated widespread support among legislators in all parties. These ideas have been formally debated in the legislature, but their implementation has been limited.<sup>14</sup>

The diagnoses that interviewees offered regarding the weak congressional role in economic policy included a variety of other, more general factors related to recent changes in the political economy. For example, it was mentioned that the increasing internationalization of economic processes has given external actors, international financial institutions and multinational corporations a much larger and influential policy role than in the past. In addition, since most investment decisions are now in the hands of the private sector and the sphere of state economic intervention has been greatly reduced, it is difficult for members of Congress to obtain resources from the central government to favour their constituents’ interests. In the past, an important function of deputies and senators was to play a brokerage role between national government and local authorities (Valenzuela 1977). “Before, one could negotiate”, said Sergio Molina, a former finance minister, “because the majority of large enterprises belonged to the state. One asked members of Congress what was important to their region. Now you can offer nothing” (interview material). Public investment currently represents only a quarter of total investments, down from as much as 75 per cent.

Moreover, the complexity of economic debates is now vastly superior to what was common in the pre-coup period. In the past, the country’s level of economic literacy was relatively low, and most relevant economic information was provided by government sources. Nowadays, the general public has access to a large amount of economic data from a diversity of sources, including the economic sections of newspapers and other specialized publications. It was often mentioned during the interviews, however, that economic debate has been impoverished because the opposition has overwhelmingly controlled the media in recent years.

In a trend that goes back several decades, the government counts on the advice of a large cadre of well-trained economic specialists. For its part, the private sector has been strengthening its capacity to produce quality economic information and policy recommendations. Much of this is developed at several well-funded think-tanks, some of them independent, and others linked to political parties and entrepreneurial associations. In this increasingly sophisticated environment, Congress appears as the weakest player in the policy game. “We legislate *a pulso* [on our own strengths], asking our friends for advice, or relying on the government techno-bureauc-

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<sup>13</sup> Chamber of Deputies, Sesión 15a, 14 November 2000; *Diario Oficial*, 1 December 2000.

<sup>14</sup> Congress has recently campaigned for more active participation in foreign policy, including the negotiation of free trade agreements. Although it initially faced the rebuff of the respective ministry, members of the Senate and the Chamber of Deputies have joined government delegations involved in international economic negotiations.

racy. This is an enormous deficiency; one needs to have autonomy”, said a Concertación deputy interviewed for this study.

To assess current concerns regarding the policy capabilities of the legislature, it is helpful to consider that, as stated in scholarly analyses, the Chilean Congress has long possessed the ability to influence policy making to a relatively greater extent than other legislative bodies in the region. In the early 1970s, members of Congress could proudly state that Chile was “the only Latin American country with a century and a half of continuous parliamentary life” (Agor 1971:146). Stable congressional careers, norms regulating the structure, membership and operation of congressional committees, as well as the existence of a capable staff contributed to the use of specialized knowledge, moderated partisan conflict and facilitated the scrutiny of government performance and considerable congressional control over budgetary matters.

The Office of Information of the Senate was created in 1959 to conduct studies and collect the information required to support legislative work. Congress’s professional staff had recognized levels of competence. Staff members were recruited on the basis of competitive public examinations and were “highly respected for their objectivity, expertise and long career experience” (Agor 1971:63). Several of these professionals remain in service today, since during the Pinochet government they continued to assist the military junta in the exercise of its legislative functions. In recent years, the Library of Congress and the Office of Information of the Senate have been modernized, in part with the support of the World Bank; however, as explained below, specialized studies are often commissioned from external experts and research centres.

Since the return to democratic politics, no major reforms have been introduced to upgrade the organizational structure of Congress. Plans to create a permanent budget committee and a congressional budget office were among the unsuccessful organizational reforms.

In October 1994, Senators Bitar, Lavandero and Ominami (for the Concertación) and Senators Piñera and Romero (for the opposition) made a motion to reform Law 19,918 in order to create by law a congressional budget office. In this motion, the senators acknowledged that the 1980 Constitution gave the president exclusive initiative over state finances and the prerogatives to ensure coherence and flexibility in the management of revenues and expenditures. But, they argued, the Constitution also entrusted Congress with the rigorous task of examining, approving or rejecting executive branch budgetary proposals. The budget, they said, is not just a matter of accounting balances and aggregate expenditures. Rather, it is a “tool for setting national economic and social priorities”. The complexity of the budgetary process, the senators continued, made it necessary to improve Congress’s technical capacity so that legislators could have specific budgetary information to justify their motions and indications to the budget. A more thorough analysis of the budget proposal could allow Congress to disaggregate information by programmes and not just by agencies, separating each item by region and sector. A more detailed assessment of actual spending instead of nominal budget could allow a more effective congressional oversight of the execution of the budget, with follow-ups of the results of government programmes and long-term evaluations of sectoral priorities.

The senators proposed the creation of a congressional budget office to assist legislators’ requests for budgetary information to government agencies. The institutionalization of such a congressional agency would also allow Congress to deal with budgetary matters year-round. They cited the experience of countries like the United States and the United Kingdom to justify the creation of a congressional budget office. The Senate Committee on Constitution, Legislation and Justice rejected this project in May 1995. Arguments on the Senate floor became heated, as some senators suggested that the creation of a congressional budget office would be unconstitutional and such action would violate the individuality of both chambers.<sup>15</sup> More importantly, opponents argued that the initiative to create a budget office rested with the president, since, according to the Constitution, only the president may create new public services and

<sup>15</sup> See *Diario de Sesiones del Senado*, Legislatura 330a, Extraordinaria, Sesión 61a, 11 May 1995.

employment. Other senators rebutted that argument. As a separate and autonomous power, they said, Congress did have the ability to distribute its operational expenditures and hire its own personnel. Finally, it was agreed to send the proposal to the Comisión de Régimen Interior for further study.

In August 1995, Senator Bitar presented a new motion to modify the Senate rules in order to create a congressional budget office. All of the members of the Joint Budget Committee supported this motion. At the same time, a separate and similar motion was presented in the Chamber of Deputies and Senator Lavandero presented an alternative proposal to have two or three budget specialists assigned to the committee. The Comisión de Régimen Interior rejected both ideas in August 1995. Instead of creating a separate office, or hiring specialized personnel attached to the Joint Budget Committee, it was recommended that the existing Senate Information Office hire two budget specialists.

The newly hired experts started working in September 1997 with the mission of providing technical support in budgetary matters and other issues related to public finances. In particular, this unit was charged with the task of following up the implementation of agreements signed between Congress and the executive branch during the approval of the annual budget law, as well as with collecting, keeping and analysing the information and documents produced by the government. This unit—known as Unidad Técnica Presupuestaria del Congreso—gives advice to the various congressional subcommittees that review the budget by ministry and interacts with representatives of DIPRES to clarify and request additional data or to evaluate the impact of changes made to the budget proposal. The unit is also responsible for organizing and updating information regarding the execution of the budget, the transfer of funds made by government decree and the evaluation of government programmes.

Two economists were selected from the 113 candidates who applied for this unit. One (with a Master's degree in public administration) works for the Senate Information Office and the Senate Finance Committee, and the other (with a Ph.D. in economics from the University of California, Los Angeles) responds to requests for information and analysis from members of the Chamber of Deputies. The budget specialist has a heavier workload in the Senate, especially in the period from September to December when the budget proposal is discussed. The working style in both chambers differs for at least two reasons: the Senate's economist is directly involved with the activities of the Finance Committee and the Senate does not have a permanent budget to commission external studies (unlike the Chamber of Deputies with approximately \$700,000 annually), although its committees can occasionally contract external advisors.

Thus, although in recent years there has been considerable debate regarding the need to improve the technical capabilities of Congress in order to increase transparency and accountability in the budgetary process, the measures adopted so far have not satisfied the demands and expectations of the legislators and the imbalance that exists with respect to the executive branch has not been altered. While the powerful Budget Office at the Finance Ministry has several sectoral specialists analysing the budget for each ministry, Congress's small budget unit remains unable to carry out the type of analysis required for effective oversight.

Introducing organizational and procedural changes could enhance the role of Congress in the budgetary process. For example, the budget director stated that the congressional budget committee could function on a continuous basis, instead of having it dissolve once the annual budget law is approved; discussions on the following year's budget could be initiated months before the executive branch proposal is formally sent to Congress; information on the execution of the budget could be improved in terms of its level of detail and periodicity; the congressional budget unit could be strengthened in its personnel, resources and connections with DIPRES; and Congress could create an institute for fiscal studies, modelled after similar entities in other countries. Currently, Congress's technical capabilities in economic policy making depend primarily on three sources: (i) information and analysis provided by the government, (ii) externally generated advice and information; and (iii) the expertise and technical resources that legislators can garner on their



own. Let us now consider the operation of the Finance Committee, which has the highest concentration of professional economists serving in Congress.

## Professional Expertise and the Finance Committee

Before addressing the importance of changes in the professional profile of legislators in some detail, it is worth noting the conditions under which Congress processed economic legislation before the interruption of democratic politics. The type of economic legislation that entered congressional debate has always been politically divisive, as it entailed such contentious issues as salary readjustments in a country plagued by inflationary pressures. But acrimonious partisanship was typically restrained when the content of legislation involved complex, technical matters. According to Agor's (1971) research on the Chilean Senate, committee norms privileged expertise over partisan criteria.

Committee membership was based on party strength, but the legislators' experience and knowledge were important criteria in deciding committee assignments. Deference to the expertise of committee members was not the only source of ideological and partisan moderation at the level of congressional committees. Other mechanisms also facilitated cross-party negotiations and compromises, especially prior to the 1970 constitutional reform. Legislators could attach new bills to the coattails of emergency measures and earmark funds from the coming year's budget to finance pet projects.

Before 1973, the Finance Committee was ranked at the top of all congressional committees in part because of its strategic gatekeeper role. It had jurisdiction over all bills that involved appropriations not included in the annual budget or that called for new taxes. Congress members themselves characterized this committee's working style as "responsible", "thorough" and "studious" (Agor 1971:67). The Finance Committee did not limit its reports to the financing of bills, but over the years—and not without resistance from other committees—it was able to extend its jurisdiction to include debates about the content of the bills and was capable of making determinations as to how the money provided would be spent.

The prestige of the Finance Committee was also reflected by the seniority of its members (in 1965, members of the Senate Finance Committee had spent an average of 15.8 years in Congress); by their recognized expertise on economic matters (the committee included former ministers of finance, private sector entrepreneurs and board members of large companies); and by the political standing of those who served on it (often national party leaders). Finance was an attractive committee that accorded its members visibility, political influence and deference from other members of Congress (Agor 1971:63–65). Continuity and stability were particularly high among members of this prestigious committee. "There certainly is a period of waiting before you get a seat on Finance", said a senator interviewed by Agor in 1968. Contacts with government specialists were regular and continuous. Congressional committees not only called on the staff to gather evidence, cross-check information and explain inconsistencies in the data reported by the government, but also relied on the specialized advice of external experts and representatives of interest groups (Agor 1971:55, 77, 84).

In the 1960s, the political influence of the economics profession was already significant, although the number of specialized research institutions developing economic data was limited to some government agencies, international organizations and the two main universities, which had rival economics programmes. Several of the country's most renowned economists were serving in top government positions, especially in the Finance Ministry, the Central Bank and other economic policy agencies. The pre-1973 Congress, however, had only one economist among its members, the Communist José Cademártori, who had published a book on the Chilean economy in 1968. The distribution of legislators according to career background showed that almost half of the senators were lawyers (Agor 1971:25).

It can be argued that one of the most significant recent changes affecting the institutional capabilities of Congress has to do with the increased professional expertise of its members. Lawyers remain the largest professional group among those elected to the Chamber of Deputies, representing 33 per cent of the deputies elected for the 1990–1994 period, 35 per cent for the 1994–1998 period and 30 per cent among those elected in 1997. Engineers are the second largest professional group. This category declined in its share of seats from 15 per cent in the first congressional election of 1989 to 9 per cent in 1994–1998 and to 7 per cent in 1998–2002. The number of economists—or “commercial engineers”, the degree given in Chile to graduates from economics and business administration—went from only one in 1973 to nine in 1990. The percentage of economists in the Chamber of Deputies increased from 7.5 per cent in the first congressional election of 1989 to 11 per cent in the two subsequent elections. Currently, eight of the 13 members of the Finance Committee of the Chamber of Deputies are economists (see annex tables 3 and 4).

In 1990, of the 47 senators, counting the nine non-elected members, 23 were lawyers, seven were engineers and the rest belonged to a variety of other professions—two accountants, two medical doctors, a sociologist, a teacher as well as four retired members of the armed forces. Only one senator had a degree in economics, the right-wing Sebastián Piñera (Ph.D. from Harvard). But more economists joined the Senate in 1993 and 2000. Currently, four of the five members of the Finance Committee of the Senate are economists with impressive academic, administrative and political credentials. This group of economists-senators has become a very powerful contender in the debate on economic policy making.<sup>16</sup> Economists in Congress enjoy high public visibility, greatly surpassing their colleagues, and are constantly sought out by the media. “If you are not an economist you do not exist”, lamented a former deputy (interview material).

The larger number of economists in Congress can be partly explained by changes in the pattern of recruitment of political elites and by the spread of new policy conventions regarding economic management during the period of military rule. Economists became the dominant group within the economic bureaucracy and succeeded in introducing professionalized notions of cost-benefit criteria in the operation of the public sector.<sup>17</sup> Tensions in the relationship between lawyers and economists are still prevalent, but new forms of collaboration have emerged in recent years. The legal profession seems to have embarked on several defensive strategies, including promoting conceptual changes—for example, to accommodate new contractual mechanisms imported from Anglo-Saxon legal traditions—adding new fields of specialization and reforming the classical teaching of civil law. Economists tend to view lawyers as a “necessary evil”, fundamentally averse to policy innovations and excessively concerned with constitutional restrictions, but they are also seen as important translators of the economists’ ideas into legislative projects. Economists are characterized as vain and arrogant, but “the translator can change a great deal in the process”, and “without legal advice, bills are often unconstitutional and badly written”. A lawyer with government and academic experience concluded that the “overlapping of the economic and legal professions is now much stronger than in the past” (interview material, Carlos Carmona).

The fact that the Finance Committees of both chambers currently have a majority of economists<sup>18</sup> is recognized as significant, but there is little agreement on whether the consequences are positive. As in the past, the Finance Committee is ranked above all the other congressional committees and the

<sup>16</sup> This group has included Alejandro Foxley (Ph.D. from the University of Wisconsin, author of numerous scholarly publications, former finance minister from 1990 to 1994, and former president of the PDC), Carlos Ominami (Ph.D. from the Université de Paris, Nanterre, a member of the Central Committee of the PS and former minister of economy from 1990 to 1992), Sergio Bitar (an engineer with a graduate degree in economics, leader of PPD and former cabinet member under Allende), Edgardo Boeninger (former budget director from 1965 to 1969, head of the University of Chile from 1969 to 1973, vice-president of the PDC between 1987 and 1989, and former minister of SEGPRES from 1990 to 1994), and Evelyn Matthei (former government official under Pinochet, vice-president of the RN and former member of the Finance Committee of the Chamber of Deputies).

<sup>17</sup> At DIPRES, for example, there are about 40 economists and only six lawyers. The Concertación government has placed only economists in the higher echelons of the economic bureaucracy, and many cabinet posts have been assigned to economists with doctoral degrees from foreign universities.

<sup>18</sup> Those who are not economists have a very short tenure on this committee, unless they are lawyers with a great deal of economic expertise and specialists in taxation or commercial law.

decisions made by committee members are rarely disputed on the floor.<sup>19</sup> “One fights with knives to be on this committee”, said one of its members (interview material), although the work in this committee is far more complex and demanding than in others. In the Senate committee, since there are only five seats, no party will send somebody without the necessary expertise. And even in the Chamber of Deputies, where more members of the Finance Committee are non-economists, the emphasis on expertise is clear: “Those who have little understanding of macroeconomics do not last; they are a disaster because the discussions are too technical” (personal communication).

Some maintain that the economists-legislators play an ambiguous role. The most critical observers note that the function of popular representation has become subordinated to the goal of promoting economic growth without inflation. “I am here not as an expert, but as a politician”, said an economist serving on the Finance Committee (interview material). Senator Jorge Lavandero, a Christian Democratic lawyer and former member of that committee remarked, “Unfortunately, economists play a very important role in Congress, they apply their theories. There should be a more political approach, a more humanistic, less economic vision” (interview material).

Economists in Congress, whether representatives of the opposition or the governing coalition, share a common professional language, have received similar training and tend to converge in their approach to economic management, even if their political interests set them apart. In debates over the Common Market of the South (MERCOSUR), for example, economists fought against representatives of agricultural interests. “It is good to legislate on the basis of technical knowledge, but it is also easier to ignore what the people think; a technocracy disconnected from the electorate, that is not possible!” said a deputy on the Finance Committee (interview material).

The economists in Congress, these critics say, are in conflict with their own parties because they tend to identify with the techno-bureaucracy of the executive branch and often behave as allies of the Finance Ministry, defending economic orthodoxy instead of confronting the dominant policy paradigm. “It is an uncomfortable position”, admitted a Concertación economist serving on the Finance Committee, “it is necessary to defend the government, provide explanations and attempt to convince other members of Congress...we have to operate as pedagogues, and people are not disposed to accept it...we end up in conflict with the rest” (interview material).

Several interviewees complained that Congress has been unable to develop an alternative policy discourse because most legislators lack “professionalism and economic culture”, because they do not want to risk confrontations with government officials who control valuable resources, or because they lose credibility and legitimacy when their critiques of the neoliberal system are labelled as “populist”. There are Concertación legislators who strongly dissent from the official adherence to market economics, but they are not seen as very serious.

The lack of debate on economic models is also attributed to the absence of public controversy within academic circles because coherent alternative models have not emerged and because of the enormous influence that the political right has over the printed media. Only one major newspaper reflects the views of the government. Moreover, as a deputy noted, “Between 1990 and 1997, there was little space for alternative approaches because the economy was performing well” (interview material).

Political parties do not provide much support for those who would like to promote sharper public debates on the direction of economic policy. Dissatisfaction with the market model exists among militants of the centre-left, but “dissidents are silenced, chastised from the presidential palace, with their political careers cut short if they go against the economic model”, complained a member of the PDC (interview material). The parties do not seem to have the necessary resources to reconcile internal ideological disputes and are unwilling to mount a campaign against the policies promoted by their own government. In addition, parties lost access to international funding after

<sup>19</sup> The government coalition has always maintained one of its representatives as a chair of the Senate Finance Committee because the chair decides who is invited to testify, sets the agenda, is consulted by the media and presides over the JBC.

the transition and are now more dependent on the government. "Reformist parties have opted for not making reforms, they accommodated to the system, moved to the centre, making programmatic differences less clear. The intellectual ebullience of the 1980s disappeared. The parties do not have people thinking...I could give free advice, but they never call me...I am seen as a retrograde Keynesian", stated an economist affiliated with the Christian Democratic Party (personal communication). According to critics, the consolidation of the free-market model has created a system of "hidden corruption" in which members of the political elite rotate between state offices and major corporations, forming an "economist plutocracy". This, they complain, hinders Congress's capacity not only to oversee government actions, but also to regulate the private sector. It is often argued that the conversion to market economics has advanced further on the Socialist left than among the Christian Democrats.<sup>20</sup> Prominent Socialist economists, called "right-wing Socialists", are counted as enthusiastic advocates of economic liberalism. Among the Christian Democrats there is an important group of liberals, but the party culture remains more statist. Party leaders tend to be older, without the experience of exile, and many of the party militants are government employees who distrust free-market policies.

Deputy Andrés Palma, an economist on the Finance Committee since 1990 who recently ran unsuccessfully for the presidency of the PDC, said,

Perhaps it is true that I am too orthodox on economic issues. They used that against me, saying that I was in favour of privatizations and against the workers. But I am a leftist in matters of human rights. I am unclassifiable. My party colleagues in Congress consult my opinion and respect my judgments on economic policy, but they have never elected me for positions within the party caucus. We economists are not very good politicians; we move faster than the rest of the people. People understand when we explain things, but we do not engage enough in pedagogy (interview material).

Some praise the economists for their contribution to legislative work. "Fortunately we have people who are well versed in economics, it increases the respectability of Congress as an institution," stated Senator Hernán Larraín, an opposition member of the Committee on Legislation and Justice. He continued,

it is a blessing, because it allows a climate of agreement, not the traditional political divisions between government and opposition. Economists have authority when they give opinions, they can agree even if they belong to different parties. Yes, there is the danger of technocracy, but they are economists with experience in public life, the technocratic opinion is tempered (interview material).

Negotiations among economists are perceived as more fluid. Of course, economists differ, not only in terms of their ideological preferences but also in their trajectory, particularly the type of graduate training received. Those who did not attend graduate programmes in the United States are seen as a "different specimen, they are hard to convince", said Deputy Julio Dittborn (UDI), a member of the Finance Committee referring to recent negotiations with the labour minister, a Socialist economist (interview material). Those with technical knowledge act as a "silver bridge" between the government and the opposition, said Senator Edgardo Boeninger, the former SEGPRES minister under Aylwin (interview material). "I trust that among economists we can understand each other", confirmed opposition Senator Matthei, an economist, adding, "What we achieve is not a negotiation, but a technical agreement. Those who are ignorant are more rigid, they do not follow the arguments" (interview material).

Voting patterns on the Finance Committee are atypical because majorities often do not reflect ideologies: "we end up voting according to technical criteria", said one of its members (inter-

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<sup>20</sup> On the right, the parties have little influence over their representatives in Congress. UDI leadership has many economists and the legislators themselves control the party. In the RN, the other major party on the right, economists are less well represented, although in 2001 the economist and former Senator Piñera became the party leader.

view material). “I always vote as an economist”, said Deputy Dittborn, “well...that is not quite true...sometimes I deviate...I am very orthodox. From that posture I moderate my opinions to consider political opportunity and take into account observations made by representatives of regional interests” (interview material).

“Economists, especially if they have served on this committee for several years, have more information, and information is power...they take the budget proposal apart, and then they negotiate”, said a legislator (interview material). The presence of Senator Foxley (former finance minister) and Senator Ominami (former minister of economy) has made a difference, I was told repeatedly. “Economists are more autonomous, they even dare to contradict expectations that the government tries to create” (personal communication). It is easier for senators to assume a more critical stance because they are elected for eight years. By contrast, “deputies have a reputation for being less ponderous, more vehement; they are not as trusted by the government technocrats”, said an economist elected to the lower chamber (interview material).

Interviews with officials at the Finance Ministry confirmed the image of moderation, especially among legislators with recognized technical credentials; “they are serious...reasonable”. Obviously, the style of negotiations between the executive and the legislative branches also depends on the political skills within the government economic team: “It makes a difference if the undersecretary of finance has political clout and the minister has shrewd political analysts among his advisors”. The presence of economists in Congress not only facilitates dialogue across coalition lines, but also permits negotiations between committees: “an economist on the Health Committee, for example, can bargain with those on the Finance Committee”, which is seen as the congressional equivalent of the Finance Ministry. “The Finance Committee serves as the government’s spokesman”, complained a deputy. “Yes, they call us the ‘praetorian guard’, but we are not the mailbox of the Finance Ministry”, retorted one of its members; “there is a specific culture within the Finance Committee. It is a *cultura de Estado*, dominated by professionalism and not circumstantial majorities. The debate ends when the arguments have been exhausted. It is never necessary to appeal to the rules of the Chamber”. The attention to technical considerations within the Finance Committee is also illustrated by the acceptance of external advisors in internal deliberations, a practice that is not in accordance with congressional rules.

The Finance Committee is often accused of engaging in “invasive behaviour”, addressing aspects of bills that go beyond their impact on public spending and thus amassing more power than other committees. A bill, even if approved by another specialized committee, may be rejected by the unanimity of the Finance Committee. “There is resentment”, acknowledged a member of the Finance Committee; “it is because this committee is very rigorous” (interview material).

Economists have affected congressional work in other ways as well, particularly in the request for greater government accountability and transparency. Since the oversight functions of the Contraloría are limited and because it does not have the technical personnel and faculties to control the efficacy or efficiency of government spending, economists in Congress have been the ones pressing and negotiating with government officials for more detailed evaluations of public programmes. “We suspect the money is not being spent right, but it is difficult to prove that”, said Senator Matthei.

I value the [1997] protocol as an attempt to increase transparency, but it has not been effective. I would like to have a permanent follow-up of the largest items in the budget made by external evaluators. A project that is not well designed is like giving money to your friends. The protocol was useful to introduce the concept of evaluation, but public sector evaluations should be implemented more seriously, using the science of economics” (interview material).

Also, the Central Bank is now more open to disclose information and present reports to Congress with a pre-specified regularity. There is a new set of procedural rules approved by the Bank’s board (the schedule of board meetings is now fixed) and a new methodology that seek to increase accountability and reduce uncertainty (minutes of board debates are now published).

The Finance Committee of the Senate has begun regular meetings every three months with members of the board of the Central Bank. According to interviews, the Central Bank reacted promptly to pre-empt the passage of a bill that would have allowed the removal of the president of the Central Bank.

## **Informal Interbranch Negotiations**

The budget proposal is the subject of considerable debate even before its submission to legislative debate. Although Congress has no constitutional role in the development of the budget proposal, legislators are able to exert some influence during this stage of the process through informal negotiations with government officials. Members of Congress use the 60-day period of congressional debates to negotiate with executive branch officials, a process seen as the most important bargaining opportunity that legislators have to obtain concessions in favour of their constituents. Legislators may lobby officials who testify before the JBC or they may seek to influence adjustments in the original budget estimates in order to increase spending for certain projects. “It is then that your vote is worth gold; the executive branch is accessible if you are tough”, explained a Concertación deputy, who is also an economist (interview material). In turn, at this time, officials in various ministries may seek alliances with legislators to gain bargaining power vis-à-vis the Finance Ministry.

The Concertación governments have been diligent in providing mechanisms for interbranch coordination. SEGPRES has played an important role in promoting the passage of government legislation and maintains an office in Valparaíso. Other informal channels of communication and debate between government officials and legislators are also relevant. For example, since 1990, the Concertación members of the Finance committees of both chambers meet for lunch every Monday with Finance Ministry officials to exchange information, study the legislative agenda for the week, and draft and debate legislation. These meetings are well attended, with 20–25 participants, because legislators value the chance to obtain information (interview material). “Monday lunches are sacred for legislators and for the ministry”, said a regular participant. But it is not clear how satisfied legislators are with the type of exchange that takes place on those occasions. “We make observations on legislative projects before the executive branch sends them to Congress, we revise the text and the debate is very intense. Ministers do not always get what they want”, said a deputy (interview material). But one of his colleagues refuted that assessment, “The debate is limited. It is mostly a liturgy. The government tries to avoid discussions with members of Congress, there are no substantive challenges to the economic model, to the growing hegemony of the financial over the productive sectors...and we cannot rock the boat of our own government” (interview material).

Typically, finance ministers do not enjoy the dialogue with legislators, “it is a headache for the minister, he knows they come to ask for money and he usually has to say no”, said a Finance Ministry official. Yet, recently, the Finance Ministry created a formal means—the Office of Legislative Affairs—to respond to information requests from Congress, handle official correspondence between the ministry and Congress, and lobby the legislators for votes (interview material, Marta Tonda).

Opposition legislators also talk regularly with the finance minister. “Lower-ranking officials cannot make concessions. Conversations with the minister are crucial”, said Senator Matthei (interview material). A deputy of the governing coalition objected to this practice, arguing that ministers were more willing to negotiate with members of the opposition.

In the early 1990s, members of Congress focused on verifying spending and were more willing to go along with government directives, but they now talk about “rebellion” as they demand greater participation in policy making and more prerogatives for Congress to evaluate the results of government programmes. “At the beginning, they fooled us more easily, but now we have gained experience”, said a member of the Finance Committee (interview material). And

another member of that committee noted, “I am not here to receive orders. I am a representative of the Concertación, but I do not have to accept what the minister says. The poor communities that I represent do not care about ‘high reform’” (interview material).

Another factor that facilitates informal interbranch negotiations is the existence of a wide network of economic experts working in the various government agencies, research centres, Congress and the political parties. After more than 10 years in government, the Concertación economists have circulated in and out of state agencies, gaining contacts, experience and information. Those economists who have been elected to Congress can count on the advice and collaboration of their former colleagues and subordinates.

## External Advice

The scarcity of internal resources for policy analysis has forced members of Congress to rely on external sources of support, but so far none of the initiatives adopted to provide legislators with timely and adequate information has been successful. In the early 1990s, the Instituto Latinoamericano de Doctrina y Estudios Sociales (ILADES), a graduate economics programme at the Universidad Alberto Hurtado, a Jesuit institution, initiated the Trabajo de Asesoría Económica al Congreso Nacional (TASC), with the financial support of foreign foundations. The purpose was to issue periodic reports on issues relevant to congressional debates from an independent, academic perspective. During its first years of operation, TASC published an average of 10 reports a year on a variety of topics, subcontracting studies from academic economists and other experts who analysed legislative projects and offering comments and alternative policy proposals to enrich public debate and facilitate the work of the legislature. Once the external funding sources diminished, TASC was not able to regain its initial impetus. In 1997, TASC approached Congress to request partial funding, without success. In 2000, only five reports were published, and it is possible that the project will be discontinued. “Academic timing is slow”, explained one TASC executive, “and some members of Congress do not even know of our existence” (interview material).

In 2001, at the invitation of the Ebert Foundation, and with the support of the Chilean Ministry of Foreign Relations, representatives—Ebert, Adenauer and Seidel—from a group of think-tanks from various ideological persuasions travelled to Germany and Spain on a mission to study the models used by European political parties’ foundations and to interview legislators in those countries. The incorporation of technical analysis in the political and policy process is increasingly recognized as an important issue. Some are opposed to the parties hiring their own technical personnel because that model transforms intellectuals into “party functionaries” without autonomy and creativity. A better model, in their view, is to engage policy analysts in the legislative process through a system of competitive public funding, since “parties are interested in votes, not ideas” and the Chilean Congress is not ready to provide legislators with the necessary staff and informational resources (interview material).

Due to their personal contacts, party affiliation and careers, representatives of the Concertación coalition typically have much easier access to government information and related policy-making resources than their counterparts in the opposition. Their ability to rely on independent policy advice, however, is more limited for a number of reasons. Party discipline and loyalty to the government were especially important during the initial years of the post-transition period. Critical assessments of policies among supporters of the governing coalition were discouraged for partisan or ideological considerations. In addition, since many of the most qualified professionals went to work in official agencies, the number of specialists working in NGOs and research centres was drastically reduced once the Concertación took control of the government. “There is a small elite”, said an expert on the legislature; “there was no space for more than one camp” (interview material). Finally, the lack of adequate funding often means that independent research centres close to the Concertación depend on contracts from government institutions, or must hire government officials to conduct studies. Both are factors that compromise their level of autonomy. Interviews suggest that the frequency of these practices is likely to decline, as the

opposition is pressing for stricter rules regarding the payment of government employees; it is becoming increasingly difficult to find officials willing to work on the side.

The Programa de Asistencia Legislativa (PAL) is the main institution created to assist members of Congress on the centre-left. PAL never gained much relevance—it has not had a permanent professional staff and the recruitment of economic specialists is increasingly difficult due to more attractive opportunities offered in the private sector. The policy advice provided by PAL did not relate to an overall framework, but was instead “specific and personalized”, said one of its former executives. “PAL does not work properly”, according to a deputy, “because it is full of politicians when what we really need is another CIEPLAN” —the opposition think-tank that employed many prestigious economists during the pre-transition period (interview material).<sup>21</sup> PAL does not have analysts working directly with budgetary committees in Congress.

By contrast, legislators in the opposition can count on the advice of a vast and well-funded network of experts and think-tanks, such as the Instituto Libertad y Desarrollo (ILD), Instituto Libertad (IL) and the research division of Sociedad de Fomento Fabril (SOFOFA—one of the largest entrepreneurial associations), among others. ILD and IL, formally independent from political parties, are in effect linked to the main opposition parties of the right: ILD to UDI, and IL to RN. Their funds originate from a variety of private sources, including foreign foundations. These centres sell professional services, including studies commissioned by Congress and publications. Contacts with ministries are regular and ILD specialists work closely with members of various congressional committees. Opposition members of the Finance Committee meet regularly on Monday mornings to discuss strategic issues with economic analysts, among them Hernán Büchi, the former finance minister of Pinochet.

Through the press, public relations campaigns and their own publications, these research centres have gained significant policy influence and visibility. Although there is an informal division of labour among these institutions that facilitates co-ordination, budgetary issues are dealt with independently in each think-tank, a sign of the partisan nature of these matters.

ILD, the largest and most influential of these think-tanks, is highly specialized in its approach to legislative advice, with the legislative programme one of the eight thematic areas into which the institute is divided. ILD not only has a permanent office in Congress, but also has one budget analyst working in each of the five budget subcommittees; thus its resources are vastly superior to those of Congress. ILD operates with a permanent staff of 35 professionals and as many as 50 external consultants, including university professors and several of the most prominent members of Pinochet’s economic team. It publishes a series of periodicals covering a vast range of topics, such as budget, fiscal and deregulation policies, labour market, energy, telecommunications, agricultural policy, and international economic issues, among others. Weekly reports on legislative matters (*reseña legislativa semanal*) are distributed to members of Congress, subscribers and other relevant policy actors. In 1999, ILD issued 166 reports on various bills and its professionals attended Congress to give advice or opinions a total of 33 times (interview material, ILD official).

## Summary of Findings and Final Comments

Chile initiated the transition to democracy with a firm commitment to avoid radical changes in the free-market model adopted during the military regime. The Concertación government sought to preserve the neoliberal economic reforms while reducing income inequality and the economy’s vulnerability to external shocks (Ffrench-Davis 1999). In the 1990s, the strategy of “reforming the reforms” resulted in a significant reduction of poverty levels, wage improvements, higher social spending in health care and education, and a somewhat narrower gap between the rich and poor.

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<sup>21</sup> CIEPLAN is the Corporación de Investigaciones Económicas para Latinoamérica (Corporation for Latin American Economic Research).



The first post-transition decade was one of the most prosperous in the country's history, with an average rate of economic growth above 7 per cent, a fiscal surplus from 1 to 2 per cent of GDP, low inflation, expanding investment, savings and exports. The Mexican financial crisis did not interrupt the favourable performance of the Chilean economy. The 1998 Asian crisis, however, affected the rate of growth, increased unemployment and altered the climate of optimism and political stability, even though the government has maintained a cautious fiscal policy approach.

If the stellar economic performance of the past decade does not continue, the climate of political compromise that permitted the negotiation of consensual solutions is likely to dissipate. New questions are being raised about the future of the Chilean model of "growth with equity". Divisions within the governing coalition's own ranks, which were largely suppressed or subdued until the late 1990s, have been exposed in more frequent, public and belligerent debates. Those who defend the achievements of the past decade—known as "self-congratulatory" or *autocomplacientes*—resist changes to the conciliatory, prudent, disciplined and broad-based consensual approach followed until now. In turn, critics (*autoflagelantes*) claim their right to dissent from the orthodox positions of the economic team, and recommend that contentious policy changes are necessary because the reforms to the neoliberal model have been insufficient. They argue that many of the advances in terms of poverty alleviation and income redistribution that were made during the first half of the 1990s have stalled.

With congressional elections at the end of 2001, persistent signs of economic decline led to mounting pressures to adopt more aggressive anti-poverty measures, increase social investment to compensate for market failures and reform the labour legislation in favour of workers' interests. In addition to the deteriorated socioeconomic scenario, an unexpected and dramatic turn in one of the most sensitive aspects of the Chilean transition was triggered by Pinochet's arrest in London in 1998. Since then, hundreds of demands to prosecute those responsible for human rights violations committed during the military regime have been brought to the Chilean courts. Many of these cases include high-ranking active members of the armed forces who had, until recently, felt protected by Pinochet's ability to remain a powerful and intimidating political figure. Pinochet retained the post of commander-in-chief of the Army until 1998, and subsequently assumed a seat in the Senate reserved for former presidents. But when Pinochet himself faced charges of human rights abuses by the country's judicial system, the lid that for so many years kept this explosive and divisive issue contained was lifted. The human rights question not only opened fissures in civil-military relations, but also within and between political coalitions and military institutions.

Thus, the Chilean process of democratization, often touted as an exemplary case of regime transition, entered a new phase, with higher levels of economic and political uncertainty and lower levels of consensus. The role that Congress will play in this new phase is an open question. It is not unsafe to assume, however, that with the long honeymoon effect over, undercurrents of disaffection, unsatisfied demands and festering conflicts will surface and Congress may be called upon to assume a more central role than it has had so far.

Until now, the executive branch has exerted its constitutional dominance with moderation (Siafvelis 2000:59). The extraordinarily favourable economic environment contributed to a general disposition to advance policy reforms gradually, avoiding excessive conflicts and accepting many of the constraints imposed by the legacies of authoritarian rule. This research suggests that during the past decade Congress identified new mechanisms and created new opportunities to increase its policy influence, but those improvements seem largely dependent on circumstantial conditions. Within a different economic and political context, agreements between the government and the opposition may become more elusive or less effective.

Seeking a more permanent and effective empowerment of the legislature in the policy process would require a thorough revision of current institutional arrangements, especially those affecting interbranch relationships, the internal operation of political parties and the organizational characteristics of Congress itself.

Successive governments pushed for constitutional reforms, including the one crafted under Pinochet that weakened congressional prerogatives, but also helped to solidify the belief that public finances are best handled by experts and removed from partisan conflicts and short-sighted electoralism. Acceptance of the assumption that sound economic policy making requires that the policy process be protected from spurious political motives and unqualified, amateur politicians was further reinforced by the anti-politics campaign promoted by the military government and its power to keep Congress closed for over a decade and a half.

The lengthy proscription of political parties and public debate facilitated the spread of policy conventions that stressed pragmatism and the professionalization of governance as a formula for stable and successful economic performance. The neoliberal creed that became dominant among Pinochet's advisors proclaimed the rationality of economic models and extolled the virtues of market solutions for all sorts of policy problems. The transition to democracy ended the parties' clandestine existence, but as they reassumed public life, the parties also tried to comply with the dominant premises of rationalism and pragmatism. The parties' image of technical sophistication was buttressed by giving economists a prominent pulpit (Montecinos 1998c).

The political rise of economists, so remarkable during the 1980s, adopted new forms in the 1990s. After the Concertación took control of the presidency, a technocratic mantle was less crucial to reassure the public that the conflicts of the early 1970s would not return with the old-guard politicians. The Concertación governments, however, had to keep signalling investors that their anti-populist stance was genuine and durable. Economists in high places symbolized the official commitment to macroeconomic stability and market-oriented policies. Under Aylwin and Frei, and again under Lagos, many economists were called to occupy the top echelons of the state bureaucracy. Economists provide the Concertación coalition with credentials of ideological renewal, market friendliness and fiscal conservatism.

Some politically active economists lost the time and motivation to pursue party militancy with the same intensity that the pre-transition period required. But others bolstered their political careers in party organizations and in the legislature. The number of economists in Congress grew throughout the 1990s. A place in the Senate brought politically ambitious economists closer to the presidency. In addition to Lagos, at least six other economists considered candidacies or actually ran for president in the 1990s. Speculations about the presidential contest of 2006 include a number of economists representing the political centre, as well as the left and the right.

How long will Chilean politics remain so conspicuously populated by professional economists? Predictions about the transitory political visibility of economists have so far proved wrong, mainly because the generation of new political leaders that came of age with the democratic transition is still at the height of its power. Also, there are institutional forces that favour the high representation of individuals with prestigious technical credentials within the Chilean political elite.

Foreign-trained economists, prominently involved in the politics of transition, infused a new vocabulary within the Chilean political class and provided an unprecedented basis for policy consensus in a country where hard, irreconcilable ideological battles had ended in institutional collapse. Their professional socialization, mostly in US universities, bore the imprints of a common theoretical paradigm, a widely accepted conception of economic rationality and the legitimacy of market mechanisms. This was a generation of economists that, unlike many of its fellow professional politicians—and older economists—owed little to the intellectual and doctrinaire traditions of Continental Europe, where the embrace of market-oriented “managerialism” has been more “cautious and selective” than in the Anglo-Saxon countries (Pollitt 1998:49).

The rise of market-based models has not been uniformly embraced in all countries or in all institutional and ideological quarters. But the new environment of global competitiveness and the war against public deficits gave the efficiency and cost-effectiveness crusaders an advantage over the discredited statist ideologies of the past. The privatization of state resources and functions, the decentralization of services and the results-oriented evaluation of state budgets and investment pro-

jects became acceptable responses to the challenges of the new globalized context. The planners of the old-style paradigm were accused of being too complacent regarding inflation, too tolerant of overextended bureaucracies and redundant regulations, and too narrowly nationalistic. In Chile, as in the rest of Latin America, those who had favoured import-substitution industrialization through state interventionism were, by the 1980s, willing to acknowledge some of those shortcomings and were ready to allow a greater scope for the market (Montecinos and Markoff 2001).

The importation of private sector practices and techniques into public sector affairs coincided with a concern for reforming not only the administration of government finances, but also the logic and tools of democratic rule. In Chile, state reform, privatization and trade liberalization were already well advanced when the transition process began (Bosworth et al. 1994). The Chilean experience, which in Latin America pioneered the shift away from protectionism and state interventionism was, by the late 1980s, advertised as a regional success story to be imitated by its neighbours and others. There was not much resistance to the idea that reversing market reforms was not an option once the centre-left coalition took control of the government. The new way of thinking about a small and efficient state as well as the centrality of the private sector and of open markets, although initially imposed under conditions of authoritarianism, was expected to gain broader legitimacy and eventually be widely recognized as the only viable development strategy (Boeninger 1995).

Democratization in Chile followed the worldwide marketization tide, with government agencies and actions more open to external scrutiny and more responsive to the demands and preferences of citizens ("customers", "clients"). The search for democratic governability came to be understood as a technical question. Integrating the technical and the political dimensions of governance was seen as an exercise that involved the construction of political consensus, the engineering of electoral and legislative majorities, the creation of channels of consultation with business and labour organizations as well as a detailed understanding of the distributional consequences of market reforms and the mutual influence of economic and electoral cycles.

The concern for more effective management of public affairs, whether as a neoliberal concept or in the language of an emergent "progressive, social-democratic liberalism",<sup>22</sup> facilitated dialogue and negotiations across party lines, across government agencies and between the executive branch and the legislature. In all of these areas, economists promoting efficiency criteria and fiscal responsibility had penetrated and displaced old-style politicians and civil servants, gaining for themselves the label of "modernizers"—advocates of good government practices, rigorous strategists, designers of an orderly and fluid decision-making system, builders of a new "culture of negotiation and consensus". The transition to a democratic regime, placed in the hands of the "modernizers", was conceived as a viable and predictable process in which economic decisions, and those responsible for them, are shielded from the rougher dimensions of politics. And politics itself is subjected to the strategic calculations of technocratic elites. The new "planners" of market-based democratization are dispersed and circulate in and out of government, in and out of politics. Their knowledge base, contacts and experience share important similarities, even if their political allegiances set them apart.

In spite of the broad acceptance of a cultural framework favouring a shift toward markets and efficiency, the government and the opposition retain divergent interpretations of the country's past and ideals for the future, and try to distance themselves even in the areas in which resemblance is most obvious. The opposition often celebrates the prudence and technical sophistication of the most "modern" sectors within the government, but immediately points out that the governing coalition is ideologically heterogeneous and that the government and the political parties that support it walk separate paths. The opposition questions the depth and sincerity of the Concertación's acceptance of market principles; it is just "a marriage of convenience". The political class, they charge, remains a prisoner of old ideas, nostalgic for egalitarian and collectivistic doctrines. The Concertación governments have mostly administered the reforms inher-

<sup>22</sup> The concept of social-democratic liberalism is taken from Haddad (1995:260).

ited from the previous regime, unable to move forward with audacity to implement new privatizations or new reductions in state spending and personnel. The centre-left, opposition critics say, remains suspicious of the private sector, unconvinced that competitive markets are the only effective mechanism to promote development and too disposed to increase labour costs and rigidities in the labour market, too willing to sacrifice higher levels of investment and savings.

The Concertación, by contrast, has argued that neoliberalism went too far in rejecting the concept of redistributive justice and that social equity and economic growth are equally necessary for good governance. The state should be modernized to increase efficacy and efficiency, but its regulatory responsibilities should also increase; it should not return to old forms of dirigisme, but promote and preserve competition and transparency, and guarantee social equality. But just how far the state should go to promote markets and social equality is a matter of internal dispute; this debate helps the coalition preserve its distinct political identity regarding orthodox neoliberalism.

In sum, the diffusion of a set of policy conventions and paradigms, for which the political prominence of economists was central, may have contributed to the political stability and economic success of the Chilean transition. The challenge of reinvigorating legislative power, in some ways, parallels the efforts that brought new life to political parties in the decade leading to the end of military rule. In an environment dominated by concerns for efficiency, Congress displayed its own economists as a sign that it was ready to assume “responsible” participation in the policy process. Economists-politicians seated in the legislature are seen as a sign of organizational renewal. The policy capabilities of Congress appear less diminished and less outmoded when its Finance Committee is staffed with competent economists who are ready to challenge the executive branch by asking appropriate questions and requesting relevant information. Economists-legislators seem more likely than their colleagues to satisfy the public’s—and the media’s—expectations using authoritative claims, figures and diagnoses. The solemn, imperious discursive style of professional economists has come to be taken for granted among those in control of economic policy making. Economists in Congress also enjoy the respect of other legislators and of their counterparts in the executive branch.

The paradox of a weak Congress that is heavily populated by economic experts may not last, but at least so far it appears to have had interesting effects, particularly as a mechanism for counterbalancing executive branch dominance in economic policy making. As seen above, the Finance Committee—by its composition, behavioural rules and cultural patterns—seems to have been modelled after the Finance Ministry, and both are criticized for their tendency to impose rationalistic, economic criteria on others. Both create resentment for using their gatekeeper functions as justification for hierarchical dominance and for expanding their jurisdictions.

There have been significant changes in budgetary procedures, with the Finance Ministry and even the Central Bank more open to informing Congress and in some cases engaging Congress in policy negotiations, even when they are not constitutionally obliged to do so. These changes, however, are not sufficient. The interviews revealed that legislators are dissatisfied with their role vis-à-vis the government as well as their own parties. Their professional credentials may give the appearance of political influence, but they are often at odds with their own parties, feel manipulated by the president’s technocrats and lack a strong power base within Congress itself.

Congress needs a permanent upgrading of its organizational policy capabilities and not just a transformation of the career background of its members. A discontinuation of the technocratic spillover may follow future changes in the legislators’ profiles. An influx of representatives from groups that have so far been marginalized from the transition process—grassroots social movements and smaller political parties—may make the current managerialist consensus falter. Congress needs to rely on its own organizational reserves to become a permanent, powerful player in the policy-making arena.

The proposal to create a strong congressional budget office failed, despite the support it elicited from the Finance Committees of both chambers and other legislators representing all political camps. Advocates of a congressional budget office argued that Congress should improve the ranks and qualifications of its professional staff to be an effective co-legislator and to perform its oversight responsibilities more adequately. The argument that Congress cannot take initiatives involving expenditures becomes stronger because of constitutional restrictions used against the proposed office. Scholars have also suggested that exclusive presidential initiative on spending may indeed explain Congress's failure to increase its staff resources. "Article 60 of the Constitution enables the president to keep the congressional genie bottled", as Londregan (2000:44) puts it. But this argument is not entirely persuasive because Congress does have the ability to allocate its own operational expenditures. The reasons seem more political in nature and can be found at three levels. One, as Londregan suggests, is that while the Concertación maintains control of the presidency and the technical staff of the executive branch, it does not need to endow Congress with more resources in order to advance its agenda. Second, it is not in the interest of the executive branch to promote autonomous agencies within the legislature. Nor is the opposition inclined to bolster congressional policy competence, especially if it is required to publicly favour more spending. Furthermore, the parties may not favour the creation of a technical entity in Congress because that would limit their control over the system of technical advice through their affiliated think-tanks. Finally, internal politics within Congress may also have affected the fate of the proposed budget office. Congressional personnel, mostly lawyers, constitute a well-entrenched bureaucracy, suspicious that the recruitment of outsiders, in this case mostly economists, might upset established hierarchies (personal communication).

In a "super-presidential system" such as that in Chile, resistance to a stronger Congress is to be expected, both among those who occupy the presidency and among those who helped design the current institutions and are now in the opposition. Ironically, economists-legislators, the most ardent campaigners for the congressional budget office, were the most capable of compensating for the lack of staff resources.

## Annex

**Table 1: Seats in the Chamber of Deputies by political party, 1990–1998**

Political party	1990		1994		1998	
	Seats	Percentage	Seats	Percentage	Seats	Percentage
Indep.	3	2.50	5	4.17	5	4.17
PDC	39	32.50	37	30.83	38	31.66
PH	1	0.83	—	—	—	—
PPD	8	6.67	15	12.50	16	13.33
PR	5	4.17	2	1.67	—	—
PRSD	1	0.83	—	—	4	3.33
PS	17	14.16	16	13.33	11	9.16
RN	32	26.67	30	25.00	23	19.17
UCCP	—	—	1	0.83	2	1.67
UDI	14	11.66	14	11.66	21	17.50
<b>Total*</b>	<b>120</b>	<b>99.99</b>	<b>120</b>	<b>99.99</b>	<b>120</b>	<b>99.99</b>

\* Totals may not add up to 100 due to rounding.

**Source:** Cámara de Diputados de Chile, Oficina de Relaciones Públicas.

**Table 2: Seats in the Senate by political party, 1990–1998**

Political party	1990		1994		1998	
	Seats	Percentage	Seats	Percentage	Seats	Percentage
Indep.	1	2.63	3	7.89	3	7.89
PDC	13	34.21	12	31.57	14	36.84
PPD	1	2.63	2	5.26	2	5.26
PR	4	10.53	1	2.63	—	—
PS	4	10.53	5	13.15	4	10.52
RN	13	34.21	11	28.95	6	15.72
UCC	—	—	1	2.63	1	2.63
UDI	2	5.26	3	7.89	8	21.05
<b>Total*</b>	<b>38</b>	<b>100.00</b>	<b>38</b>	<b>99.97</b>	<b>38</b>	<b>99.99</b>

\* Totals may not add up to 100 due to rounding.

**Source:** Oficina de Informaciones del Senado.

**Table 3: Professional background of members of the Chamber of Deputies and the Senate, by committee, 2000**

Committee	Profession	Percentage of Deputies	Percentage of Senators
Foreign Relations	Economics*	8.3	0.0
	Law	41.6	60.0
	Other	50.0	40.0
Constitution, Legislation and Justice	Economics*	0.0	0.0
	Law	92.0	100.0
	Other	8.0	0.0
Finance	Economics*	16.5	80.0
	Law	15.3	20.0
	Other	68.2	0.0

\* Includes individuals with degrees in commercial engineering, which encompasses studies in economics and business administration.

Source: Cámara de Diputados and Senado de Chile.

**Table 4: Professional background of members of the Finance Committee in the Chamber of Deputies and the Senate, 1990–2000**

Period	Profession	Percentage of Deputies (13 members)	Percentage of Senators (5 members)
1990–1994	Economics*	23.0	20
	Law	30.7	60
	Other	46.3	20
1994–1998	Economics*	46	60
	Law	38	20
	Other	16	20
1998–2000	Economics*	54	80
	Law	23	20
	Other	23	0

\* Includes individuals with degrees in commercial engineering, which encompasses studies in economics and business administration.

Source: Cámara de Diputados and Senado de Chile.

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- Alberto Arenas, July 2000 (economist, Budget Office, Finance Ministry)
- Eduardo Azócar, July 2000 (Budget Office, Finance Ministry)
- Ignacio Balbontín, July 2000 (former deputy)
- Catalina Bau, July 2001 (chief of staff, Finance Ministry)
- Raphael Bergoeing, June 2001 (economist, TASC)
- César Berguño, December 2000 (staff member, Senate)
- Sergio Bitar, July 2000 (engineer and economist, senator, member of the Finance Committee)
- Neville Blanc, December 2000 (Legislative Services Division, Library of Congress)
- Edgardo Boeninger, July 2000 (engineer and economist, senator, former minister of SEGPRES)
- Juan Cristóbal Bonnefoy, December 2000 (economist, Congressional Budget Unit)
- Carlos Carmona, July 2000 (Legal Division, SEGPRES)
- Rosana Costa, July 2000 (economist, Instituto Libertad y Desarrollo)
- Jorge Desormeaux, July 2000 (economist, member of the Board of the Central Bank)
- Julio Dittborn, July 2000 (economist, deputy, member of the Finance Committee)
- Jorge Fabres, July 2000 (economist, Studies Division, SEGPRES)
- Jorge González, June 2001 (economist, Instituto Libertad)
- Oscar Landerretche, June 2001 (economist, Economic Commission, Socialist Party; Fundación Chile 21)
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- Jorge Lavandero, July 2000 (senator, former chair of the Finance Committee)
- Pablo Lorenzini, July 2000 (economist, deputy, member of the Finance Committee)
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Jorge Marshall, June 2001 (economist, member of the Board of the Central Bank)  
Evelyn Matthei, July 2000 (economist, senator, member of the Finance Committee)  
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Eduardo Saffirio, July 2000 (Centro de Estudios del Desarrollo)  
Marta Tonda, July 2000 (head, Office of Legislative Affairs, Finance Ministry)  
Julio Valladares, June 2001 (Christian Democratic Party)  
Humberto Vega, July 2001 (economist, under-secretary of planning; Socialist Party Economic Commission)  
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