Economic ideas: paradigms and policies in the transformation of Latin America; preliminary draft

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Introduction

For over half a century, the professional role of economists in Latin America has been associated with profound redefinitions in the size and functions of the state. Economists also have exerted great influence on conceptualizations of Latin America’s place in the world economy and thus have helped frame international relations in the region. Because of the enormous impact that economists have had in domestic and foreign policy, studying the institutional origins of this professional group, the theoretical paradigms that inform their work, their professional networks and associations, their educational credentials, career patterns, and incentives for professional advancement can help us understand broader trends in the history of economic ideas and other aspects of the development of Latin American countries.

The most recent shift towards free market policies can be partly explained by the expansion of the professional jurisdiction of economists and their ascent to positions of political power (Montecinos and Markoff, 2001). Consequently, the study of the economics profession in the region has come to constitute an area of significant academic and practical interest. This paper will summarize various stages in the transformation of the economics profession in Latin America, with a more detailed analysis of the changes that have taken place in Chile in the 1990s. ¹

Economists and Economics in Latin America -- Old and Recent Trends

Economists, perhaps more than any other professional group in Latin America control vast amounts of material, political and cultural resources. For decades, budgetary decisions have been under their jurisdiction, affecting the type of goods and services that citizens obtain and the extent to which market mechanisms --instead of state actions-- impact the quality of peoples’ lives. Lately, the language and “mentality” of economics has penetrated new areas of public discourse, as economists address increasingly broader audiences from political stages and the mass media.

Economists, placed at the core of public bureaucracies, are also part of a highly denationalized environment. The international political economy of the region holds the roots of this phenomenon. In relatively poor export economies, elites tend to accommodate their economic practices to the ones used in the countries that control the investments, loans, and markets on which they so crucially depend. Since the early nineteenth century, foreign “money doctors” were called to Latin America to teach the natives how to reform their economies in accordance with the rules of international economic relations. The “science” of foreign experts served not only as a vehicle to transfer the latest techniques of economic management, but also as a “political device” (Drake, 1994). Money doctors mediated between Latin Americans and their foreign creditors, certifying that new loans could be granted when troubled debtors complied with the requests of external financiers and investors. The allegedly “apolitical” advice of foreign experts also served to legitimize the claims of local elites against their rivals, to justify unpopular measures, expand the influence of wealthy nations, and instill trust among investors. In recent decades, foreign economic

¹Information on the most recent period was obtained through a series of interviews conducted in Santiago in June and July, 2001.
advisers have been replaced by native-born, but foreign-educated economists. Top-level economists with cosmopolitan careers, friends and professional contacts with peers in other governments, international organizations and foreign universities are playing not only an increasingly central role within the state apparatus (as Finance ministries and other segments of the economic bureaucracy take control of what and how much other government agencies do), but they have become key political actors, moving in and out of ministerial offices, leading political parties, and running for office at the congressional and executive levels. Consider the well-known trajectories of Domingo Cavallo, Carlos Salinas, Alejandro Foxley, Ricardo Lagos, and more recently, Alejandro Toledo. Overlapping professional, political and diplomatic circles bring growing numbers of Latin American economists to the ranks of a highly internationalized profession. National and regional traditions of economic thought fade away, replaced by U.S.-style methodologies and training (Coats, 1997). In some countries there are still significant differences in the approach to economics education --as there are serious criticisms regarding graduate economics programs among U.S. scholars-- but the overall trend is forcing academic economics everywhere to emulate what the most prestigious schools in the field are doing: emphasizing abstract modeling and mathematical techniques, discouraging interdisciplinary work, unless it follows economists’ central disciplinary canons.

Post-graduate programs in economics everywhere are adopting the U.S. model; the possession of such a credential is considered key to the enhancement of professional reputations. The assessment of economists’ professional prestige rests more and more on standardized measures modeled after U.S. patterns. These include the ranking of graduate economics programs and professional journals, the adoption of highly homogeneous curricula and research styles, attendance to professional associations and conferences. Latin America is no exception to this worldwide trend. Although in 1992 Latin American economists created their own association, LACEA (Latin American and Caribbean Economic Association), submitting their work to the annual meeting of the Econometrics Society is an important rite for the most prestigious Latin American economists, even if they also attend the Encuentro Anual Latinoamericano de la Sociedad Econometrica, organized by the regional chapter of that association.

Economics in Latin America has moved to the orthodox camp, away from the ideas and policies that by mid-century placed this region at the forefront of innovations in development theory and economic policy. The tradition of skepticism regarding the pertinence and validity of economic liberalism, however, dates back to the period before the Great Depression, when Latin Americans were already experimenting with state-promoted development projects and protectionist measures. The debate on alternative models of economic management deepened in the 1930s, as policy elites faced the end of export-led prosperity. The work of corporatist theorists (Love, 1996), the experience of Soviet planning, the ideas of early developmentalist thinkers from Central Europe as well as the work of Keynes and his disciples strengthened Latin Americans’s resolve to reformulate the science of economics. The creation of a distinctive school of economic thought would uncover the structural roots of economic phenomena, addressing such intractable issues as inflation and balance-of-payments problems.

The “money doctors” of the pre-crisis era had preached orthodoxy and urged governments to adopt the banking and fiscal practices of more advanced countries to reduce financial instability and improve access to foreign loans and investments. By the 1950s and 1960s, it was widely accepted that the region’s distinctive historical and socio-economic realities required the elaboration of alternative economic paradigms and policy recommendations. Members of the “Latin American school of economics” (mostly associated with the U.N. Economic Commission for Latin America, founded in 1949) challenged orthodoxy

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LACEA’s first meeting, in 1996, took place in Mexico City. In subsequent years the locations have been: Bogota (1997); Buenos Aires (1998); Santiago (1999); Rio (2000).
theories and discourses as unrealistic and inapplicable to Latin America. Imbued with a sense of mission, ECLA economists envisioned major changes in the antiquated, patronage-ridden government bureaucracies through the rationalization of decision-making, the production of empirical data on the problems of the region, the generation of new tools for economic analysis, and the mobilization of public opinion against economic orthodoxy. The prospects of development would be altered while reshaping the professional outlook of the region’s incipient economics profession.

Latin American economics became established as an autonomous profession in the 1940s and 1950s. Leaders of this new discipline often were themselves self-taught economic specialists eager to update the economics curriculum to the standards of the times. Latin American structuralism in various respects converged with Keynesianism and institutional economics. It advocated state support for industrialization as the route to development, urged attention to power disparities between countries, and insisted on the distinctive nature of economic processes in poorer countries.

In 1949 and 1950, Raúl Prebisch’s seminal essays on the “doctrine of unequal exchange” called for a reconsideration of the role of international trade to end a cycle of low productivity, growth and savings that favored Latin America’s industrialized trading partners and disadvantaged those in the periphery of the world economy. The rejection of free-market arguments gave way to a new pattern of nationalist and interventionist policies aimed at promoting industrialization through state investments and regulations. Despite the hostile reaction that heterodox economists encountered, especially among some of their peers outside the region (Bianchi, 2000), the spread of developmentalism in the post-war period provided a favorable environment for the new state-centered approach to development, both in academic and policy circles, in the center countries as well as in the rest of the Third World (Montecinos and Markoff, 2001).

For the next few decades, a broad consensus supported heterodox economics. Theory and policy advice proceeded hand in hand, effecting major structural transformations in the region. The economists’ ascent to positions of political power was both a corollary and a force behind the reforms in economic policy-making, as new state agencies were charged with the rationalization of government budgets and plans for agricultural and industrial modernization.

A “Latinamericanized” economics challenged the claim to universality within the science of economics. A new economics would expose the ideological biases of neoclassical theory. Markets were far from a universal remedy for economic backwardness; instead, market failures demanded state planning and investment. The “stereotypes” and other deficiencies found among foreign economic advisers had to be rejected in favor of an original, indigenous school of economic thought. Careful examination of historical and sociopolitical contexts was considered necessary, in addition to multidisciplinary collaboration and a strong emphasis on practical concerns, economic independence and social justice (Pinto and Sunkel, 1966).

Although during this period some Latin American economists went to study abroad, generally, members of the new generations of professional economists were discouraged from attending conventional academic programs that placed excessive emphasis on abstract mathematical modeling. The study of neoclassical economics could be of little help, it was argued, because it tended to dismiss the importance of institutional and political factors, and ignored the specificity of economic issues in less developed countries. Thus, hundreds of economists received training at ECLA’s headquarters in Santiago and in other economics programs designed to fill the gap between university and reality.

Against the background of the Cold War, international funds for the education of Latin American intellectual and professional elites increased during these years: foreign foundations, international
organizations and governments in Europe and North America financed a large inflow of free-market missionaries, apostles of social catholicism and other third-way reformists, pouring grants, scholarships, loans, visiting professors, and other resources trying to stop the expansionism of Marxist models in the Western Hemisphere. A return to “good economics” was then as much a professional strategy to fight doctrinal rivals on the left as it was a tool for the defense of an alternative model of development, and more broadly, an issue of hemispheric security.

By the late 1960s, although structuralism still dominated the teaching of economics in most of the region, the debate on curricular contents intensified. The belief that capitalist development in the periphery worsened the problems of income inequality and the international marginalization of Latin America gained acceptance. Scholarship in the region was becoming more politicised and the economics profession itself grew increasingly polarized as the most conservative economists reacted to the rising tide of heterodox economics. Also, the first cohorts of U.S.-trained economists were then returning to occupy positions as university professors and government advisers. Many of them were convinced of the need to improve the levels of economic forecasting and research as well as the type of education given to young students of economics. Addressing the existing gap in economic theory seemed particularly important, even to those who at the time were on the political center and center-left. They argued that the neoclassical paradigm they had learned in the U.S. contained useful instruments that were indeed applicable to the reality of these countries. Neoclassical ideas did not have to be rejected, as the Marxist left wanted, but they had to be applied with great judgment (interview with a member of this generation who graduated from Yale).

Although many of the policy prescriptions of heterodox economists, including agrarian reform, were being sanctioned by the international community of development specialists, the tone and implications of these reformist measures appeared increasingly controversial. Moreover, the results of the policies informed by heterodox ideas were less than satisfactory in the eyes of many structuralists as well as their critics on the right and the left. The internationalization of economics in Latin America involved conflicting theoretical approaches and resulted in the formation of distinct professional identities. Those who followed the standards of the “North” tried to bring economics education back to the mainstream of the profession, offering the most advanced techniques of modern economics, preparing Latin American students to pursue graduate studies abroad, and sponsoring professional networks that would expand the influence of market-based economics throughout the region (Valdés, 1995). These economists appealed to scientific principles to legitimize trade liberalization, free enterprise and foreign capital. Proponents of an alternative Latin American branch of economics were chastized for their parochial, statist, and populist views, their lack of technical rigor, their contempt for efficiency and macroeconomic equilibria. Leftist economists were seen as “polluting economics” and contributing to aggravate the problems of the region (Kay, 1993, 693).

External dependency was not declining as a result of import-substitution industrialization. Foreign indebtedness was rising, along with disillusionment regarding the ability to generate enough employment, reduce income disparities, increase exports and control inflation. Critics argued that the promise of a more politically engaged and interdisciplinary approach to economic problems was not being fulfilled. Heterodox economists concluded that they too had placed excessive attention to simplistic models of economic growth and insufficient thought to the complexities of institutional and political realities; others complained that too many distortions, overblown bureaucracies and inefficient regulations had been allowed in the name of industrial protectionism; the attempted reforms were not radical enough, said those who favored revolutionary transformations.

The developmentalist consensus of the post-war period that characterized policy circles in and out
of Latin America for much of the post-war period was losing ground in the 1970s. A new type of professional economist was brought in by military regimes experimenting with neoliberal reforms. Heterodox voices in economics suffered increased marginalization; in some cases outright persecution. The “old guard” of economic planners began to be expelled from government offices and academic positions, degraded as obsolete and incompetent. Self-regulated markets were expected to provide the foundation for future political liberalization. Development was to follow a new embrace of orthodox economic ideas.

In recent years, economics programs in the region have begun to compete for students, foundation funding and government support on the bases of the publication record of their faculty. A cursory review of the web pages of these programs or their printed annual activity reports indicate the great importance attributed to these new standards of academic and professional excellence. Increasingly, the results of economic research conducted at Latin American universities are being subjected to peer review for publication in the profession’s leading journals. Economics professors affiliated with the most prominent schools in the region are being judged not only by the number of articles they publish --although until less than a decade ago doctoral degrees and publications were not required in those institutions--, but by the status of the economics journals in which their work appears (journals are ranked according to conventional criteria, such as the Social Science Citation Index). National economics journals sponsored by those same academic centers are in the process of modifying their editorial policy to discourage in-house publication and include external review; they have made changes in their editorial boards, and are increasing the number of international submissions.

**Economics in the 1990s. The Chilean Case**

The socio-cultural location in which a particular discipline evolves is helpful to explain the interchange of ideas, policies and historical processes. For over half a century, Santiago de Chile has hosted some of the most permanent and respectable centers for the production and diffusion of specialized knowledge, policy experimentation and professional training for economists in the region. Chile’s long tradition of democratic politics and state economic interventionism offered an attractive mix for the creation of research centers in the areas of economic and social development: politically engaged technocratic elites, prestigious universities, an ambitious foreign policy agenda, and a rising status as recipient of foreign development assistance during the Cold War period.

Several international organizations (i.e. CIENES, CEPAL, ILPES, FAO, UNESCO, PREALC, CELADE, ICIRA) founded their regional headquarters in Santiago during the 1950s and 1960s. Chile had so far a long history of class conflicts but a scant record of revolutionary upheavals, no fierce nationalism, no threats of militarism. A large and diverse group of foreign specialists, scholars and students spent time there, some as political exiles, some as members of an expanding international bureaucracy, or simply as observers of the evolving Chilean political process.

Economics education was considered at the time among the best in the region. At ESCOLATINA, the graduate economics program created at the University of Chile at the end of the 1950s, gained significant prestige, attracting a number of foreign professors, and for several years, funding from the Ford Rockefeller foundations. The majority of the 25 or 30 students attending every year came from various Latin American countries. Students were selected in their own countries by ESCOLATINA professors who traveled to tests and interview prospective applicants. The record of ESCOLATINA graduates includes a

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3 In 1968, the list of foreigners among the faculty at ESCOLATINA included B. Henrick, A. Martin, G. Beijaut, H. Bruton, A. Zammit, M. Schubick, J. Strassma, S. Barraclough, M. Mamilakis, K. Griffin, T. dos Santos, and C. Diaz-Alejandro (list provided by Oscar Muñoz, academic director between 1965 and 1969).
long list of individuals counted among the most prominent economists in the region. (ESCOLATINA was closed at the beginning of the 1980s)

From 1973 until the resumption of democratic elections in 1989, the government intervention of Chilean universities, the hegemonic control of the Chicago Boys in academic and government institutions, and the exclusion of all forms of dissidence altered the type of external attention and resources that had characterized the previous decades, but the level of internationalization of Chilean economics did not decrease.

In the 1990s, important changes have taken place in the practice of economics in Chile. The number of economists with doctoral degrees obtained abroad is already so high --and expected to rise even further in the coming years-- that in many government, academic, and even private institutions (banks and private corporations) economists are over-represented among managerial and technical personnel. To accommodate the current inflow of foreign-trained economists, various institutions are revising their recruitment criteria, and in the process, forcing changes in the recruitment of other professional groups. At the Catholic University and at the University of Chile, the two traditional institutions of higher education, new faculty recruitments require applicants to have finished their doctorates. Promotion standards for academic economists have become more rigorous, and new fields of specialization have replaced the old preference for macroeconomic topics.

The research projects that economists are conducting at the University of Chile, for example, illustrate the broadening range of issues that are being addressed from the perspective, assumptions and methods of neoclassical economics, often under the sponsorship of government ministries or public research funds allocated on competitive bases. Consider the following list of titles referring to topics that typically were not included in the traditional turf of professional economists:

- “Factores que inciden en el rendimiento escolar en Bolivia,” 2000
- “Contaminación del aire en Santiago: Qué es, qué se ha hecho, qué falta?,” 2000
- “Una revisión de la reforma del sistema escolar en Chile,” 2000

Another effect of the growing number of Chilean economists with doctoral degrees is the proliferation of graduate programs: there are four Master’s programs in Santiago, and two recently proposed doctoral programs. The demand for graduate education in economics in this country does not

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4 Because economists are now actively involved in the formulation and evaluation of educational and health programs, among a vast array of other policy areas, architects, lawyers, and other specialists have joined educators and physicians in denouncing the imperialistic expansion of economics Ph.D.s.

5 This will soon be the case also at several of the newly created private universities which are likely to expand enrollment in commercial engineering, a degree that includes specializations in both economics and business administration.

6 List taken from the annual activity report 1999-2000 of the Centro de Economía Aplicada, Departamento de Ingeniería Industrial, Universidad de Chile.

7 Two of the four M.A. programs in economics are offered by the University of Chile (one at the Facultad de Economía and the other at the Facultad de Ingeniería). The Catholic University and ILADES have the other two. The latter is part of an agreement with Georgetown University.

8 There are other graduate programs with a strong economics component, like the University of Chile’s MGGP (Magister en Gestión y Políticas Públicas), which between 1995 and 2001 enrolled 197 students, over 70 percent of whom were not Chileans, and the Catholic University’s CIAPEP, a program in project evaluation.
justify the existence of so many programs, because the best undergraduate students apply to the most prestigious graduate schools in the U.S. and Europe. The creation of doctoral programs at home is not likely to discontinue the enrollment of Chileans in doctoral studies abroad. Local graduate programs are primarily designed to attract foreign students, prepare undergraduates for an easier transition into graduate school abroad, and serve those with fewer international connections or with family and work responsibilities (women and graduates from provincial universities, among others).

As it happened in the 1950s and 1960s, Santiago is offering advanced economics training to a large number of foreign students from other Latin American countries. Foreign enrollment increased in the 1990s, after the process of democratization started. Some foreign students go to Santiago in preparation for the rigorous doctoral training in the U.S. Others see it as a shorter and less expensive route to professionally prestigious positions in their countries. The “Santiago Boys” are in high demand in various countries in the region. Of the 18 students accepted in 2001 in the Magister en Economía at the University of Chile, 12 came from other countries. At the Master of Economics of ILADES-Georgetown, a program that started in 1987, and has received financial support from a variety of sources, including the Inter-American Bank, the Adenauer and Ford Foundations, OAS and USAID, foreign students outnumber Chileans, who represent 39 percent of the total of 275 students since its founding.

Economics education in Chile provides no major theoretical or methodological departures from mainstream economics. Master’s economics programs in Chile differ little from what students could find in the first year of U.S. doctorates, both in terms of level of academic requirements and curricular content. Typically, the Master’s programs include three academic semesters, with a number of core courses (2 in microeconomics, 2 in macroeconomics, econometrics), a series of elective courses and preparation of a thesis.

Chilean professors teaching graduate courses, with few exceptions, hold doctoral degrees from major universities, mostly in the U.S. They are not debating the contents, or even the sequence, of economics courses. The “discursive” heterodoxy of the 1950s does not offer a “well founded criticism of today’s standard curriculum,” said with no hesitation a professor at the University of Chile. Another added with certain nostalgia: “There are no longer questions, only answers” (his field, history of economic thought, after years of neglect, is tentatively regaining acceptance in the economics curriculum). Although there is no questioning of the type of theory and methodology economics students should learn, the emphasis on applied economics is significantly higher than what graduate studies in the U.S. offer. This is partly a result of the pressure that universities face to generate income through consulting and other services to government entities and the general public. The combination of research intended for publication in academic journals and research contracted by non-academic clients is perhaps most successful in the case of the Centro de Economía Aplicada (CEA), at the Facultad de Ingeniería (Universidad de Chile). The record of publications at CEA is higher than in the other research centers, and they occupy the first place in a Latin American ranking (half of their full-time professors are engineers with Ph.D.s in economics, an indication of the current mathematization of economics). Most of their publications were initiated in the analysis of issues relevant to public policy debates. CEA’s mission statement explicitly mentions the production of quality academic research in topics that are important to Chile and developing countries.

How long will the current homogeneity of economics education last? Could the creation of regional centers for advanced economics training open new possibilities for more creative adaptations, perhaps even deviations from economic orthodoxy? The history of economic ideas in the region is a rich terrain that new generations of economists ignore at their own peril. Contemporary Latin American economists are likely to
discover that their opportunities for research and policy advice are stronger to the extent that they follow in
the footsteps of their early predecessors, offering an original combination of theory and applied research
that responds to the specific reality of these countries.

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Reseña biográfica

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