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Sarah Babb: Managing Mexico: Economists from Nationalism to Neoliberalism

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Chapter 1

NEOLIBERALISM AND THE GLOBALIZATION OF ECONOMIC EXPERTISE

TOWARD the end of the 1960s, one of the founding fathers of Mexico's first economics program published a slim volume titled *To a Young Mexican Economist.* Jesús Silva Herzog's message was particularly directed toward the growing numbers of Mexican economists receiving graduate degrees from foreign universities. As a former government official, self-taught economist, and self-described "socialist," Silva Herzog warned against the facile application of alien theories to complex local realities. "[T]heories created in the great centers of capitalism should not be submissively applied [to less developed countries]," he wrote. "Each theoretical adaptation should be made after careful analysis, with our feet planted on our own soil and with a clear vision of the primary needs and the legitimate aspirations of the people" (Silva Herzog 1967: 36).[1]

Several decades later, the young economists to whom Silva Herzog had directed his advice had matured into an extraordinarily powerful technocracy. Dominated by economists trained at Harvard, Yale, MIT, and the University of Chicago, three consecutive presidential administrations transformed the Mexican economy with a series of neoliberal reforms. These reforms included the widespread privatization of state industries, the revision of the Mexican Constitution to help ensure the property rights of foreign investors, and the lifting of protectionist trade barriers under the North American Free Trade Agreement.

These policies met with the widespread approval of the international community, including foreign investors, multilateral institutions such as the International Monetary Fund (IMF), and a number of prestigious foreign economists. In a 1992 interview with *Forbes* magazine (titled "We Don't Tax Capital Gains"), Mexico's finance minister, MIT Ph.D. Pedro Aspe, expounded on the role of current account deficits in developing countries and subsequently apologized to his interviewer for sounding "professorial." Impressed with Dr. Aspe's expertise, the *Forbes* interviewer replied, "Don't apologize. It's a pleasure to meet someone running an economy who understands economics" (Michaels 1992: 67).

This book examines the history of the Mexican economics profession to explore the interaction between economic ideas and material conditions. Sixty years ago, Mexico's first economics program (at the Autonomous National University, or UNAM) was known for its nationalist, populist, and even socialist bias, and trained its students for careers in a burgeoning government bureaucracy. Since the 1980s, however, neoliberal reforms have been overseen by a large cohort of U.S.-trained economists, and an elite group of internationally renowned undergraduate economics programs have been training their students in U.S.-style, neoclassical economics. The story of the journey of Mexican economics from nationalism to neoliberalism provides key insights into how policy paradigm shifts (Hall 1993) occur in developing countries—and the relative roles of domestic and international factors in the construction of economic expertise.

The Social Construction of Economic Knowledge

This book builds on a substantial body of academic work demonstrating how systems of social-scientific knowledge are socially and historically constructed (Rueschemeyer and Skocpol, eds., 1996; Wittrock and Wagner 1996; Fourcade-Gourinchas 2000; Rueschemeyer and Van Roseem 1996; Schweber 1996; Kuhnle 1996; Weir 1989; Weir and Skocpol 1985; Furner and Supple 1990). Social-scientific knowledge in different national contexts is shaped by ". . . historically changing and cross-nationally varying institutional configurations—interrelations among states and social structures" (Skocpol and Rueschemeyer 1996: 4). Distinct national economic, cultural, and institutional contexts generate different "organizational ideologies" within the private sector (Guillén 1994) and distinct approaches to government intervention in the economy and social policy (Dobbin 1994; Campbell and Lindberg 1990; Weir and Skocpol 1985). Economics professions in different nations reflect these particular sets of conditions.

Given this diversity of national contexts, the recent trend toward neoliberal convergence seems surprising. After all, neoliberal transitions have occurred almost everywhere—irrespective of level of development (France vs. Mexico), regime type (England under Thatcher vs. Chile under Pinochet), or cultural context (India vs. Argentina). One possible explanation for such convergence is that policymakers in diverse national contexts have arrived at common technical solutions, based on a common set of problems: neoliberalism "works."

In keeping with this idea, Hall (1993) contends that Britain's "policy paradigm" shift under Thatcher occurred through a process of "social

learning"—a process of empirical disconfirmation that roughly parallels Kuhn's (1962) observations about scientific paradigms. The disconfirmation of "policy paradigms" is naturally more complex, involving multiple social actors, political parties, and groups of economic experts—all working in and around the state to collectively "puzzle out" which policies work best. Moreover, policy paradigms are overturned through explicitly political processes: "the movement from one paradigm to another . . . is likely to involve the accumulation of anomalies, experimentation with new forms of policy, and policy failures that precipitate a shift in the locus of authority over policy and initiate a wider contest between competing paradigms. This contest may well spill beyond the boundaries of the state itself into the broader political arena" (Hall 1993: 280).

Hall's analogy to Kuhnian scientific paradigms has been widely cited, since it usefully captures the enormity and depth of the changes involved. It also provides a means of supplementing Marxist notions (economic ideas as ideological superstructure of the dominant classes) with a more cognitive approach. However, it leaves an important question unanswered—namely, if neoliberalism "works" so well, why was it not implemented forty years before?

One compelling answer to this question is that the world in which economic policy is made today is markedly different from that of the postwar period. Salient changes that occurred after 1950 included the rise of a liberal trade regime, the emergence of "post-Fordist" systems of flexible production, and the rise of a highly integrated system of global financial markets (McKeown 1999; Piore and Sabel 1984; Helleiner 1994). These developments reveal an important difference between paradigms of the sort Kuhn looked at (i.e., in physics) and the sort that determine national economic policies. Economies are thoroughly human constructions—social structures that evolve and change over time, and thereby require new sets of analytical and ideological tools to make sense of them. Whereas Kuhn's physicists accumulated knowledge about an unchanging external world until paradigmatic transformation was unavoidable, economic policy paradigms sometimes reflect changes in the external environment (Babb and Fourcade-Gourinchas 2000).

During the postwar period, economics professions in diverse national contexts were shaped by the Keynesian paradigm, which presumed an active government role in creating desirable levels of growth and employment by managing aggregate demand (Hall, ed., 1986). The term "Keynesianism" notwithstanding, by the time that Keynes's writings became well known, policymakers around the world had *already* been experimenting with countercyclical policies, as a way of ameliorating the effects of the Great Depression (Weir and Skocpol 1985). Keynesianism was a broad set of policy prescriptions that were suited for the circumstances of national

economies during the decades following the collapse of international capital markets in the 1930s. The Bretton Woods system was set up in 1945 for the purpose of maintaining international monetary stability, which Keynes saw as a fundamental precondition for conducting effective national macroeconomic policies (Simmons 1999: 37–38). Under Bretton Woods, a strong system of capital controls was instituted and maintained, exchange rates were fixed, and international monetary equilibrium was maintained by judicious injections of cash by the IMF. With such restrictions in place, it was possible for governments to develop relatively independent national economic policies designed to maximize employment without triggering unacceptable levels of inflation.

One of the characteristics of the postwar economic context seems to have been its ability to foster a relative diversity of economic and social policy models. In other words, Keyensianism was a sort of umbrella paradigm that could incorporate a great deal of cross-national variety. Thus, while some capitalist-bloc nations promoted a great deal of government intervention in the economy (i.e., in Scandinavia), others maintained more classically "liberal" arrangements (i.e., in the United States). Welfare states also varied greatly, in terms of both coverage and institutional structure (cf. Esping-Anderson 1990; Weir and Skocpol 1985). This ecumenical proliferation of policy models was also reflected at the level of national economics professions: during the postwar period, a number of different regions specialized in different "schools" of economic thought, such as Stockholm School in Sweden, the French regulationist school, and the United Nations Economic Commission for Latin America (ECLA).

Over time, however, the Keynesian paradigm was put under increasing pressure by a number of changes in the world economy. One change of vital importance is what Helleiner (1994) has dubbed "the re-emergence of global finance"—so called because it mirrored an earlier historical epoch of financial-market globalization, definitively ended by the collapse of financial markets in the early 1930s. Beginning in the 1960s, the growth of offshore capital markets capable of evading national regulations made it increasingly difficult to insulate national currencies from speculation and devaluation. These were the circumstances leading up to the collapse of the Bretton Woods system in 1971 and the abandonment of fixed exchange rates.

These developments (along with other transformations within the global economy, such as the rise of a liberal trade regime) placed economic policymakers around the world within a new set of constraints and opportunities. Independent national economic policies became more difficult to maintain, since attempts to induce economic expansion could lead to capital flight, devaluation, and inflation (McNamara 1998; Simmons 1999; Goodman 1992). Under the old economic order, national policies had

been determined by the interplay of domestic political parties, local interest groups, and national institutions—giving rise to a diversity of different social contracts within different national contexts (Weir and Skocpol 1985). Under the globalized system that was emerging, however, governments needed increasingly to appeal to *international* as well as national constituencies. Whereas during the postwar period policymakers needed primarily to cater to the interests of domestic constituencies (such as business, labor, and the middle class), today they must attend to the interests of foreign investors and international financial institutions (Maxfield 1997).

Although the rules governing economic policy had changed, comprehension of how the new rules worked occurred through prolonged national processes of social learning, involving political parties, think tanks, state structures, and national economics professions (Babb and Fourcade-Gourinchas 2000). Often, national governments (particularly governments of the left) attempted to play by the "old rules"—as with Mitterand's attempts to stimulate the French economy in the early 1980s—and failed miserably, as France's subsequent devaluations and inflationary episodes suggest (Loriaux 1991; Goodman 1992). Over the long term, the result was a widespread retreat from interventionist policies and a convergence toward more liberal ones, which included independent central banks, monetary union (in Europe), and privatization (Keohane and Milner, eds., 1996; Maxfield 1997; Visser and Hemerijck 1997; McNamara 1998; Kitschelt et al., eds., 1999). Significantly, these policies no longer appeared as the agenda of particular interests and political parties; rather, the neoliberal model became a sort of "common sense"—a conventional wisdom endorsed by parties of the left and right alike.

Paralleling these changes in policy models have been transformations in national systems of economic expertise. Since at least the 1970s, economics professions around the world have become noticeably Americanized (Johnson [Harry] 1973; Coats, ed., 1996). In the words of one observer, "the use of the English language and American ideas, techniques, and research styles in textbooks, economic journals, and academic dissertations has become almost overwhelming" (Coats 1996: 4). American graduate programs export economists to diverse parts of the globe,[2] and American economists are cited with disproportionate frequency (Aslanbeigui and Montecinos 1998; Frey and Eichenberger 1993: 185; Coats 1996: 3–11). This change is significant, since economics in the United States has historically been known to be less statist, more mathematical, and more prone to value abstract generalizations over local knowledge than in Western Europe (Johnson [Harry] 1977; Frey et al. 1984; Frey and Eichenberger 1993). Thus, the Americanization of economics around

the world can be viewed as one aspect of the policy paradigm shift—one piece in the larger puzzle of neoliberal convergence.

From this very brief historical overview, a general picture emerges. The collapse of international financial markets in the early 1930s created the conditions for a variety of experimentations with state intervention in economic and social policy, the rise of Keynesianism, and a general flourishing of a variety of national schools of economic thought. Since the 1960s, the reglobalization of finance and related transformations in the world economy have had the opposite effects: a convergence at the practical level toward policies aimed at minimizing inflation and satisfying investors, and at the ideological level in the form of the Americanization of national economics professions. Whereas during the earlier period, the influence of national institutional structures and social groups predominated, during the later period, policy paradigms and economic expertise increasingly reflected the influence of international constituencies. The following section discusses some particularities of how these global historical processes played out in Latin America.

Changing Policy Paradigms in Latin America

In general, historical transformations in the policy paradigms of developing countries over the course of the twentieth century have paralleled the global trends outlined above. However, there have also been some notable differences. First, the particular problems of developing countries stimulated somewhat different forms of government intervention than those prevailing in the industrialized world. Developing nations have adopted a variety of interventionist policy models, ranging from state socialism (China) to a variety of state promotions of capitalist development (e.g., Mexico, South Korea). Since a satisfactory account of all these models could occupy several volumes, the following sections focus on the Latin American experience. Second, international pressures have played a more salient and obvious role in the economic policies of poor countries than they have in the policies of wealthy ones—particularly since the early 1980s.

From Laissez-Faire to Developmentalism

During the first decades of the twentieth century, Latin American nations' economic policies were generally conducted according to the dictates of economic liberalism—the nineteenth-century version of today's "neoliberalism." According to classical economic theory, economically backward nations were best off specializing in producing the goods in which they

had a "comparative advantage" and trading freely with other nations for industrial goods. Latin American countries toward the beginning of the twentieth century were open to international trade, tended to specialize in the export of minerals and agricultural commodities, and received enormous quantities of foreign investment (Díaz Alejandro 1984). During this period, "money doctors"—foreign financial-reform "experts" such as Edwin W. Kemmerer of Princeton University—helped financially strapped governments gain (or regain) the confidence of foreign investors. In keeping with the conventional wisdom of their day, money doctors would advise their clients to set up independent central banks, to practice fiscal and monetary rectitude, and to adhere to the gold standard (Drake, ed., 1994).

After 1929, however, everything changed. The global economic crisis caused the prices of Latin American exports to plummet, and many governments to default on their foreign debts. The Depression also slowed the flow of foreign investment to a trickle, and thereby brought the era of the "money doctors" to a close. The laissez-faire, export-oriented model of the nineteenth century was abandoned throughout Latin America, since the following of "sage foreign advice" was no longer rewarded with large flows of foreign investment. The result was a generalized closing toward international trade and finance, and a growing involvement of the state in promoting economic development (Díaz Alejandro 1984: 17–22).

Thus, when the United Nations Economic Commission for Latin America (ECLA) was organized in 1948 with its seat in Santiago, Chile, its role was to provide a theoretical rationale for policies that had already been implemented as pragmatic responses to a common set of circumstances. The policy strategy elaborated by ECLA theorists (most notably Raúl Prebisch) postulated basic differences between the developed countries of the "core" and the developing ones of the "periphery." The ECLA challenged the central premises of classical economic theory, which asserted that through "comparative advantage" rich and poor countries alike could specialize in different kinds of exports and thereby both benefit from free international trade. Rather than continuing to rely on exports of primary materials and foodstuffs, the ECLA argued that peripheral countries needed at all costs to industrialize through active government policies aimed at protecting "infant industries" from foreign competition and at protecting salaries to maintain demand for domestically produced industrial products (Villarreal 1984: 165).

Latin American developmentalism was not identical to the Keynesian paradigm of industrialized countries, since the latter focused on the securing of the "aggregate volume of output corresponding to full employment," rather than the promotion of activity within particular economic

sectors (Skidelsky 1977: 34). However, developmentalism paralleled and complemented Keynesianism in a number of important ways. First, the two shared a common rejection of the minimalist government role endorsed at the turn of the century: Keynesianism and developmentalism both advocated a strong government role in the economy.

Second, Keynesianism provided a new theoretical justification for developing countries to pursue policies that were fundamentally different from those of the industrialized world. As Hirschman (1981) observed, Keynesianism broke the "ice" of neoclassical "monoeconomics"—the idea that there is a single set of economic laws applicable at all times and in all places. Keynesian thinking established that there were (at least) two different kinds of economics: the orthodox or classical variety, which held true for economies at full employment, and another for economies where human and material resources were not being fully employed (Hirschman 1981: 3–6). This lent legitimacy to ECLA's claim that Latin America needed to implement policies that differed substantially from those prevailing in the industrialized world (where, for example, trade barriers were being lifted under the auspices of the General Agreement on Tariffs and Trade). Although neoclassical economists in the United States and elsewhere disagreed with the ECLA's prescriptions, there were also a number of core economists who concurred with Latin America's postwar economic model. In 1961, Hirschman observed on the basis of firsthand experience that "a substantial and perhaps dominant group of Western economists share some of the ECLA's most characteristic points of view" (Hirschman 1961: 37). Among the most prominent economists of this postwar "development" school of economics were Arthur Lewis, Gunnar Myrdal, and Ragnar Nurkse. The development economists believed "that traditional economic analysis, which has concentrated on the industrial countries, must . . . be recast in significant respects when dealing with underdeveloped countries" (Hirschman 1981: 3).

The "Breakdown" of Developmentalism and the Rise of Neoliberalism

By the 1970s, developmentalist policies in Latin America began to draw significant criticism from both radical and conservative directions (cf. Hirschman 1981: 14–19). Two factors appear to have been responsible for the abandonment of the developmentalist paradigm. One was the widespread impression that the "easy phase" of the import substitution model had ended. Protectionism had successfully created domestic industries that were producing simple goods but was apparently less successful in promoting the domestic production of intermediate and capital goods; in the meantime, it had created a permanent class of inefficient industries

with profits guaranteed by government protection. Among the symptoms of the "exhaustion" of import substitution were chronic unemployment in many countries, as well as chronic inflation, currency overvaluations, and balance-of-payments problems. Moreover, developmentalism had not solved long-standing problems of social inequality in Latin America (Solís 1973: 8; Love 1990, 1996; Franko 1999: 65–67). A new school of thought known as "dependency theory," which combined some theories associated with the ECLA and with Marxism, arose as a self-conscious alternative to developmentalism in Latin America (Love 1990).

The second factor was a shift in the global economy that began to create a new set of incentives for Latin American governments. During the post-war period, a new set of multilateral institutions (including the World Bank, International Monetary Fund, and Inter-American Development Bank) provided loans, but only for specific and circumscribed purposes. Beginning in the late 1960s, however, the "rebirth of global finance" was making it possible for Latin American governments to borrow from private foreign sources at variable interest rates. Briefly, international borrowing seemed to offer a potential solution to the "exhaustion" of the developmentalist model, by providing resources to address long-standing economic and social problems. Driven by anti-inflationary monetary policy in the United States, global interest rates began to rise after 1979, and heavily indebted governments suddenly found it difficult or impossible to meet their debt service payments. In 1982, Mexico had the honor of inaugurating the Third World debt crisis when the Mexican finance minister declared that Mexico would be unable to continue servicing its external debt.

The tremendous levels of external borrowing that led up to the debt crisis are often blamed on the irresponsibility of corrupt—or at least self-serving—politicians. While there may be some truth to this interpretation, it must also be admitted that the disastrous outcome of the lending boom of the 1970s was not widely foreseen—least of all, it seems, by the lenders who stood to lose in the case of default. Indeed, what appears to have occurred is an unusually harsh process of social learning. The new world of global finance presented Latin American policymakers with a whole new framework of opportunities and constraints. The opportunities seemed at first to be unlimited: foreign funds helped satisfy political constituencies without accruing the political costs associated with redistributive policies. But when global interest rates rose, the high cost of past decisions quickly became apparent: tremendous macroeconomic problems, accompanied by a significant loss of national policy autonomy.

Social learning in a new and not-yet-understood context takes time. Just as some European governments attempted vainly to continue expansionary Keynesian policies in the context of a worldwide recession and

rapid capital mobility, some Latin American governments attempted to implement an array of "heterodox" policies (Kahler 1990). In the context of expanding external debts and declining import revenues, however, these policies contributed to hyperinflation and the electoral defeat of the parties that supported them (Edwards 1995: 17–40).

In addition to the "market discipline" of capital flight, Latin American governments also faced more overt, political pressures. The beginning of the debt crisis coincided with the first years of the Reagan administration and the inauguration of a new era of "policy-based lending." Simply put, multilateral and U.S. government agencies, such as the World Bank, IMF, and U.S. Treasury, were committed to using debt relief as a lever to win market-oriented policy reforms from the governments of developing countries (Kahler 1990; Stallings 1992; George and Sabelli 1994). If the governments of developing countries wanted loans to continue servicing their debts, they would have to reduce budget deficits, cut government spending, and open their economies to foreign competition.

This new policy agenda was clearly linked to an ideological shift within the U.S government. Although at home the Reagan administration practiced "military Keynesianism," its agenda abroad was much more doctrinaire. Unfortunately, the origins and nature of the neoliberal revolution in the United States have been subject to little serious scholarly study. In general, the new market-oriented paradigm was "neither as elegant nor as coherently focused as Keynesianism" (Biersteker 1992: 107). Although it was clearly related to trends within the American economics profession, it could not be traced to any particular school of thought: it was neither precisely "monetarist" nor exactly "Chicago School," but more vaguely "promarket."

Its ambiguous origins notwithstanding, this policy agenda was endorsed not only by U.S. policymakers and the officials of multilateral organizations but also by many economists, both in the United States and abroad. Founded in 1981 for the study of international economic policy, the Institute for International Economics became a forum for like-minded economists from around the world to come together with U.S. policymakers to agree on a new set of guidelines for policymaking in developing countries. These guidelines came to be called "the Washington Consensus" (Williamson, ed., 1990: xiii). The Washington Consensus was essentially a new set of taken-for-granted assumptions, which constituted "the common core of wisdom *embraced by all serious economists*, whose implementation provides the minimum conditions that will give a developing country the chance to start down the road to the sort of prosperity enjoyed by the industrialized countries" (Williamson 1994: 18, my emphasis). Among these points of consensus were trade liberalization, the

encouragement of direct foreign investment, the privatization of state enterprises, and the adoption of private property rights.

One of the defining characteristics of this new consensus was that developed and developing countries shared a common set of universal economic laws. As one of the Institute's recent publications put it:

> The evidence that macroeconomic stability, a market economy, and outward orientation are beneficial to economic growth and (with slight qualifications) a relatively equitable distribution of income is by now reasonably compelling. What is new is the conviction that they are not just policies that are good for the "First World," but that they are also needed to make the transition from the "Second World" and that they are equally desirable for the "Third World" as well. At least in intellectual terms, we today live in one world rather than three. (Williamson and Haggard 1994: 530)

The significance of this point of view cannot be overstated. In direct contrast to the point of view that prevailed among ECLA and development economists during the postwar period, the new view prescribes the same economic medicine for all nations, regardless of level of development. This idea—an item of faith among neoliberal reformers and their supporters around the world—has brought an end to the multiple models of the Keynesian era and a return to "monoeconomics."

In the context of the debt crisis, this paradigm shift had tremendous consequences for economic policies in developing countries. During the 1980s and '90s, there were a number of fundamental and mutually related changes in economic policymaking in Latin America, including an impressive array of neoliberal reforms, the "technocratization" of policymakers, and the Americanization of national economics professions (Markoff and Montecinos 1993; Domínguez, ed. 1997; Williamson, ed. 1994). In 1992, *Business Week* magazine noted that in Latin America free-market reforms were being implemented by ". . . a new generation of leaders, many of them educated in the U.S. A continental network of Harvard, Chicago and Stanford grads are back home atop business and government ministries spreading a new market mind-set" (Baker and Weiner 1992: 51). As Markoff and Montecinos (1993) pointed out, there was a "ubiquitous rise of economists" in top policymaking positions. These economists replaced Latin America's postwar developmentalist model with a new, more "market friendly" variety, which was essentially the model endorsed by the Washington Consensus.

At the same time, there was a noticeable Americanization of Latin American economics professions. Consequently, today aspiring young economists in Brazil, Argentina, Mexico, Chile, and elsewhere are drawn to prestigious undergraduate programs specializing in U.S.-style economics, which provide an ideal launching pad for subsequent graduate train-

ing in the United States (cf. Loureiro 1996; Silva 1991; Babb 1998). Thus, Latin America's policy paradigm shift has occurred not only at the level of practice but also at the level of ideas. Not only have policies changed, but the institutionalized means of *thinking* about these policies have changed as well.

Mexican Economics in Sociological Perspective

This book looks at how national and international contexts shaped Mexican economic expertise over time. From the founding of Mexico's first economics program in 1929 and throughout the postwar period, the Mexican economics profession was most profoundly influenced by domestic constituencies, organizations, and institutions. These included: a state initially constructing a stable corporatist base among peasants and workers, and later playing an active role in promoting economic development; a private sector initially in opposition to government-sponsored populism and later placated by the state's probusiness policies; and a growing cadre of internationally oriented state bureaucrats (particularly within the central bank) eager to import foreign models of expertise. During this earlier period, Mexican economics encompassed a broad spectrum of tendencies, from Marxist to populist to developmentalist—but was always and everywhere a fundamentally nationalist and statist discipline.

In contrast, as Mexico became increasingly immersed in global financial markets, the Mexican economics profession was transformed into a highly internationalized discipline, dominated and defined by an emerging class of "global experts." These professionals are the recipients of highly internationalized training (usually American) and claim to possess a universally applicable variety of expertise. Most important, they have actively promoted Mexico's insertion within the global economy through liberalizing Mexico's system of economic governance. These global experts are likely to play an ongoing role in defining Mexican economic policy, no matter what electoral transformations occur in the future.

The Mexican case is likely to be of more general interest for two reasons. First, Mexico has an economic and institutional history similar to that of many developing countries, particularly those of Latin America. Relative backwardness, import substitution in the postwar period, credit-financed populism in the 1970s, and the debt crisis of the 1980s—these are all historical factors that Mexico shares in common with other Latin American nations. Second, Mexico presents a rather extreme example of phenomena that today can be witnessed throughout the developing world: the protagonistic role of U.S.-trained technocracy in governing economic policy and the Americanization of national economics profes-

sions. Both as a prototype (i.e., a typical example) and as an ideal-type (i.e., an extreme or "pure" example), the Mexican case holds important implications for other nations.

Data and Methods

Like the development economists of the postwar era, I was fundamentally interested in institutional change over time. For economists, this sort of diachronic analysis is facilitated by the existence of (reasonably) reliable national economic data over long periods of time. However, I was interested not in the Mexican *economy,* but rather Mexican *economics*—a subject about which very little systematic data has been collected. Fortunately for my research project, the peso devaluation of 1994–95 made it possible for me to stay in Mexico for an extended period (by stretching the dollars I received from my grant), enabling me to gather a large and eclectic body of information from various sources. These sources include, but are not limited to, archival documents, newspaper articles, Mexican economics publications, secondary sources (such as the works of Mexican and Mexicanist scholars), a database of biographical information from the ITAM Alumni Association, and numerous interviews with Mexican economists and government officials.

My most consistent source of information over time was a selection of more than 250 undergraduate theses from the two most historically important Mexican economics programs: those of the public National University (UNAM) and the private Autonomous Technological Institute of Mexico (ITAM). Few Mexican economists of any theoretical stripe would dispute the historical significance of these two programs. The UNAM was home to Mexico's first economics program, established in 1929 within the School of Law and expanded in 1934 to become a full-fledged School of Economics. Set up by private business groups in 1946 as a deliberate challenge to this UNAM monopoly, the ITM (which became known as the ITAM after becoming officially autonomous in 1962) was a little-noticed "night school" of marginal importance until it was Americanized from the mid 1960s through the early 1970s. Today, the ITAM is widely recognized as both a bastion of neoliberal ideas and one of the most important sources of government technocrats.

My decision to look at undergraduate theses was originally motivated by the scarcity of archival records from Mexican economics programs. At first, I hoped to base my study on course syllabi from different years to determine the specific works that economics undergraduates were required to read in the different programs and at different times. Unfortunately, I was unable to find any such syllabi collections. In contrast, the

undergraduate theses of Mexican economics programs are freely available to the public in university libraries. Although doubtless a less valid reflection of the content of the courses taken by economics undergraduates (this discrepancy is particularly notable in UNAM theses from the 1970s), the theses do have the advantage of reflecting, however imperfectly, what the students "got out" of their economics education.

To analyze these theses, my method was to thoroughly read the introduction and conclusion, where main theoretical points and citations were made, and review the body of the text for methodological approaches. I coded each thesis for theoretical citations, methodology, application (to private or public sector), and various rhetorical features (most important, position on government intervention in the economy). A more detailed account of how I analyzed and coded the theses can be found in appendix A.

Because this book takes the form of "telling a story," it is organized chronologically. Chapters 2 and 3 discuss the predevelopmentalist decades of the 1920s and '30s, crucial years during which the Mexican state established its base of political support and the institutional bases for government intervention in the economy; these were also the years when UNAM economics was founded, and when the idea of a private alternative to the UNAM was conceived. Chapter 4 discusses Mexican developmentalism and evidence of this ideology in undergraduate theses from the UNAM and the ITM. Chapter 5 similarly utilizes evidence from these undergraduate theses to document the breakdown of Mexican developmentalism and the splitting of Mexican economics into radically different subprofessions. Chapters 6 and 7 discuss the rise of neoliberalism in Mexico along with the role of privately educated, foreign-trained Mexican economists in the implementation of free-market policies. Finally, chapter 8 considers the issue of the globalization of economic expertise, and what is distinctive about processes of "social learning" in developing countries.

Sociological Perspectives

There are a number of theoretical issues in sociology addressed throughout the course of this book. These issues fall broadly into three categories of sociological "literatures" or subfields: the literature on professions, the literature on organizations and institutions, and the literature on "multiple capitalisms" and local institutional logics.

PROFESSIONS AND THEIR CONSTITUENCIES

Although this book is indebted to the sociology of knowledge in spirit (and, to a certain extent, in method), I chose to frame my study within the sociology of professions[3] literature. While sociologists of knowledge

tend to focus on the struggles that occur within certain fields of knowledge (cf. Latour 1987; Yonay 1998), the sociology of professions looks at how expert knowledge is constructed and applied within a broader societal framework of institutions and clients. My research in Mexico gave me a taste of how enormously the profession of economics could vary from country to country—how social science professions reflect national systems of institutions and relations between state and society (Rueschemeyer and Skocpol, eds., 1996). This experience also left me with the question of *how* sociologists should theoretically account for this apparent relationship between social scientific expertise, on the one hand, and national institutional context, on the other. The sociology of professions, which deals explicitly with the relationship between groups of experts and the societies in which they are embedded, seemed best suited for this theoretical task.

Professions are "occupational groups controlling the acquisition and application of various kinds of knowledge" (Abbott 1988: 1). Early studies of professions focused on the issue of what characteristics distinguish a "profession" from other occupations (cf. Caplow 1954; Wilensky 1964). A later tradition focused on professional "powers" and the ways that professions use the state to secure monopolies over certain kinds of work and other privileges (cf. Freidson 1970; Larson 1977). This book follows a relatively recent trend in the sociology of professions, which looks at how professions vary in different national contexts (cf. Abbott 1988; Krause 1996).

Within any given society, many ideas coexist and compete with one another. What makes professions special is that they make rules about which ideas are to be considered knowledge and who is allowed to call themselves an expert. The power of professions is derived from their legitimacy, "founded on the achievement of socially recognized expertise" (Larson 1977: xvii). In the United States, doctors were once seen as prototypical examples of professions, since doctors were (until recently) extremely successful at maintaining a monopoly on legitimate medical advice (cf. Larson 1977: 37). In part, this monopoly reflected the medical profession's success in securing the protection of the state: uncertified individuals caught practicing medicine were subject to legal prosecution. At a more fundamental level, however, the success of medicine can be traced to its legitimacy: most Americans believed in the expert knowledge of doctors and were reluctant to question their diagnoses and prescriptions—unless they got a second opinion from another doctor.

Legitimacy, buttressed by belief in professional expertise, insulates professional diagnoses and prescriptions from outside challenges. But to whom, precisely, must professionals legitimate their claims? Drawing on the work of Abbott (1988) and more recent work documenting cross-

national patterns in professions, I claim that professions fundamentally require legitimation from organizations or actors with *resources*, to whom I refer as professional *constituencies*. This is because professionals are, by definition, experts who *get paid to exercise their expertise*. Characteristic differences among professions in different countries can be traced to differing national constituencies. Whereas in the United States professionals have historically tended to receive payment from private individuals and organizations, in Continental Europe states generally took a more direct role in professionalization, through such means as designing and funding professional programs and hiring their graduates to work as public servants (Burrage and Torstendahl 1990; Abbott 1988; Cocks and Jarausch, eds., 1990; Heidenheimer 1989; Torstendahl and Burrage 1990).

Chapters 2 and 3 show that since the Mexican revolution of 1910–17, Mexican professions have tended to resemble the state-centered, Continental model. Mexico's first economics program was established in 1929 at the Autonomous National University by government officials, for the purpose of training state bureaucrats. However, chapter 3 also shows that Mexican economics had more than one potential constituency. In 1946, disgruntled business groups in disagreement with government policy established an alternative to the state-centered, left-leaning UNAM economics program: the ITM (later called the ITAM). Chapters 3 through 6 outline the historical trajectories of the UNAM and ITM/ITAM economics programs through the present and discuss how graduates of the two programs fared in the job market over time. While radical leftist influence within the UNAM program eventually caused it to separate from its most crucial constituency—the Mexican state—the ITAM program became increasingly Americanized and, beginning in the 1970s, increasingly prominent within the Mexican government. The fate of the ITAM, along with a number of Mexican economics programs that came to emulate it, shows how economic globalization *decreased the importance of national constituencies* and *increased the importance of international constituencies* for the Mexican economics profession. This process of Americanization and internationalization is outlined in chapters 5 through 7.

CHANGING INSTITUTIONS

Institutions are the rules governing social behavior, from customs and other informal-cultural rules to laws and other formal-legal forms of social regulation (North 1990). The impacts of different institutional arrangements on societies, as well as how institutions are constructed in the first place, have been studied from a variety of disciplinary perspectives, including economics (e.g., Coase 1983; North 1990), political science (e.g., March and Olsen 1984; Hall, ed., 1986), and sociology (for an excellent review of this literature, see Scott 1995).

This book looks in detail at how a number of institutions changed over time and interacted with one another, including systems of economic governance and systems of professional knowledge. It therefore falls generally into a cross-disciplinary tradition known as "historical institutionalism" (see Steinmo, Thelen, and Longstreth 1992). The rise of neoliberalism can be viewed as institutional transformation on a global scale, including the passage of laws giving autonomy to central banks and property rights to foreign investors, and the elimination of tariffs on foreign imports. The result has been what neoinstitutionalist sociologists call "institutional isomorphism": a convergence of institutional patterns (i.e., national policies) such that diverse organizations (i.e., national governments) come to look more similar (cf. DiMaggio and Powell 1983; Scott and Meyer, eds., 1994; Boli and Thomas 1997; Boli and Thomas, eds., 1999).

From a neoinstitutionalist point of view, what forces might be responsible for this global convergence? One possible answer is that states imitated other states that they perceived as successful, which made different states look more similar over time. This notion is compatible with a neoinstitutionalist school of thought to which I will refer as "world-cultural" theory. The central premise of this theory is that contemporary nation-states share a common culture of rationality: a "rationalized world-culture." This common culture leads to shared values, forming the basis for an ongoing process of imitation and the international spread of organizational and institutional models (Scott and Meyer, eds., 1994; Boli and Thomas 1997; Boli and Thomas, eds., 1999).

A world-cultural explanation for the adoption of the neoliberal paradigm around the world would begin with the observation that nation-states have *always* imitated one another as part of their search for solutions to common problems. For example, during the nineteenth century, the Japanese government systematically set out to imitate British models of organization (such as the postal service) in the hopes of achieving Britain's rapid economic growth and military prowess (Westney 1987). Thus, institutional isomorphism among nation-states predates neoliberal convergence by a matter of centuries.

There is much in this study that confirms the theoretical propositions of world-cultural theory. Chapter 2 shows that following the revolution of 1910–17, Mexican state-builders explicitly looked to foreign models in their construction of a central bank, development bank, the Finance Ministry, and a host of other institutions. Indeed, the founding of Mexico's first economics program in 1929 was conceived as a project for training students in the latest economics knowledge and techniques developed abroad, to the end of developing a corps of competent administrators to work within the government bureaucracy. Moreover, chapters 4 and 5 clearly demonstrate that actors from the central bank played an ongoing

and critical role in bringing both the Mexican government and the Mexican economics profession up to date with international standards.

However, to understand the very recent development of neoliberal reforms, I believe it is useful to draw on a somewhat different neoinstitutionalist account, namely, DiMaggio and Powell's (1991) discussion of institutional isomorphism within organizational fields. Organizational fields are networks of structurally equivalent organizations in ongoing communication, such as universities or nation-states. It is often observed that such organizations tend to become more alike over time. To explain why this occurs, DiMaggio and Powell (1983) identify three sorts of institutional isomorphism: mimetic, coercive, and normative. Mimetic isomorphism essentially corresponds to the processes identified by world-cultural theorists: organizations in the same "line of business" (i.e., nation-states) share common values and organizational structures, and therefore often imitate one another as a way of minimizing uncertainty.

Unlike world-cultural isomorphism, which is founded on legitimation and shared values, coercive and normative isomorphism are fundamentally about power: the power of external organizations with resources, in the former, and the power of certified experts, in the latter. Coercive isomorphism[4] occurs when organizations conform to the standards of powerful external actors, under the pressures of resource dependence. Thus, universities ostensibly in the business of higher education will support expensive athletics programs because donation-paying alumni are interested in winning football games. Normative isomorphism occurs among organizations (such as universities) that are staffed by professionals (such as university administrators). Often such organizations will converge because of pressures from the professions that staff them. An example is the widespread trend in the United States toward university-business partnerships, led by academic administrators with management degrees. I have chosen to refer to normative isomorphism as "expert isomorphism" throughout this book, since I believe this latter term is more recognizable as related to the power of professionals.

For the purposes of examining liberalizing reforms in Mexico and other developing countries, these latter two categories have great potential utility. Unlike mimetic isomorphism, the categories of coercive and normative/expert isomorphism have the potential to incorporate power and resource inequalities between core and periphery. Such inequalities have become particularly salient since the outbreak of the debt crisis in 1982. During the 1980s and '90s, "policy-based lending" by the U.S. government, the IMF, and other multilateral organizations, along with the growing need to foster investor confidence, had a tremendous impact on national policies of developing countries (cf. Stallings 1992; Kahler 1990 and 1992; Williamson and Haggard 1994). As Williamson and Haggard

(1994) candidly remark, "belief in the benefits of economic reform is much less widely held among politicians than among economists, and is even less widely endorsed by the general public, let alone by the specific interests that stand to lose" (p. 531). Thus, even among those who support neoliberal reforms, it is recognized that the debt crisis provided a critical impetus for change in the face of vested interests that could have prevented it.

Therefore, "coercive isomorphism" in DiMaggio and Powell's sense has clearly played an important part in the recent paradigm shift in Mexico and the rest of the developing world. Since 1982, Third World governments adopted liberalizing reforms in part to gain access to the resources of powerful external actors—most important, multilateral institutions and foreign investors. However, coercive isomorphism is perhaps the least interesting theoretical observation to be made about Mexico's neoliberal transformation. What is more striking is the extent to which the neoliberal paradigm shift has been brought about through expert or normative isomorphism—pressures exerted on the state not by external actors (i.e., foreign investors, the IMF), but by a group of professionals *within* the state.

The presence of U.S.-trained economists in the governments of developing countries today is astoundingly strong. These foreign-trained technocrats tend to share a common cognitive framework and set of guiding assumptions—in short, a common ideology—with foreign policymakers and international financiers. They also have social ties with U.S. policymakers and the officials of multilateral organizations—not only from their grad school days but also from prior appointments within international organizations (often the IMF). A growing body of evidence suggests that these technocrats have been instrumental in pushing forward liberalizing reforms in a number of Third World governments. In a cross-national study, Williamson and Haggard (1994) found that economists trained in U.S. universities played a prominent role in promoting reforms in eight of the fifteen nations studied (in Chile, Colombia, Indonesia, Korea, Mexico, Turkey, Brazil and Peru). More recent cases of U.S.-trained technocrats promoting neoliberal reforms include Costa Rica (Nuñez 1998), Vietnam (Kolko 1997) Pakistan (Holloway et al. 1996), and the Philippines. Moreover, even after neoliberal reforms are implemented, U.S.-trained economists play an important role in the ongoing management of market-oriented economies (Silva 1991; Puryear 1994).

Mexico presents an ideal-typical example of this trend. Since the middle of the 1980s, Mexico's shift to freer markets has been accompanied by "the rise within the Mexican economic policy bureaucracy of a group of young foreign-educated professional economists who worked in tandem and used their technical expertise as well as their positions of responsibil-

ity to lead Mexico in a new direction" (Golob 1997: 98). In the 1980s and '90s, U.S.-trained economists rose to prominence in every single branch of Mexican economic policymaking, in some ostensibly noneconomic branches (such as education), and, most recently, to the presidency itself.

The role of U.S.-trained technocrats in promoting liberalizing reforms in Mexico constitutes a clear example of expert isomorphism—convergence based on the power of professionals to reshape the organizations and institutions within which they are embedded. But what is the source of these professional powers? I claim that the success of a profession fundamentally rests upon its support by a constituency—in other words, a group with the resources to support the practice of expert knowledge. Professions need not generate widespread belief in their expertise; it is sufficient to find a group that is willing to pay for it.

This perspective helps tremendously in explaining the extraordinary proliferation of opportunities for U.S.-trained economists in the finance ministries, central banks, and even presidencies of developing countries. After all, this trend has occurred in societies where a significant proportion of the population is illiterate (13% in Mexico). If one were to carry out a survey on the Mexican economics profession, it is unlikely that a majority of Mexicans would have much notion of what economists do—and even fewer would be able to evaluate the technocrats' economic policy (although many might be critical of the government). The power of Mexican technocracy most assuredly does *not* derive from popular belief in the expertise of foreign-trained economists.

Instead, the success of economists in the Mexican government must fundamentally be traced to their legitimation by resource-bearing constituencies. Chapters 6 and 7 show that since the 1970s, but most particularly since the outbreak of the debt crisis in 1982, the rise of neoliberal technocrats in Mexico has tended to be fostered by the legitimation of international and foreign, rather than national and domestic, constituencies. Foreign investors, multilateral institutions, and U.S. government officials are the gatekeepers controlling access to vital resources, without which the Mexican government would face grave macroeconomic difficulties. To negotiate with these powerful external actors and organizations, the Mexican government has pushed to the top of the policymaking hierarchy a group of individuals who inspire international trust and confidence—both because of their formal credentials and because of their international social ties (for a more general argument, see Markoff and Montecinos 1993).

This means that although expert isomorphism (i.e., economists in government pushing neoliberal reforms) has been a key factor in Mexico's neoliberal transition, coercive isomorphism has been behind this expert isomorphism. In other words, the rise of the U.S.-trained technocrats is a

phenomenon that can be attributed largely to resource dependence. The pervasive and multifaceted role of external pressures in Mexico's neoliberal transition is almost certainly generalizable to other developing countries (but not to developed ones). The implications this has for processes of "social learning" in the developing world is discussed in chapter 8.

Local Institutional Logics

For many foreign investors, the administration of President Carlos Salinas de Gortari (1988–94) seemed to be a dream come true: it was friendly to international capital, apparently "democratizing" (while at the same time maintaining order), and surrounded by a team of English-fluent technocrats to whom foreign investors could relate. At the same time, internationally renowned economists who visited Mexico were impressed—not only with the government technocrats but with Mexican economics more generally, populated as it was with English-fluent Ph.D.'s from American universities.

This book shows that the twin phenomena of the internationalization of Mexican economics and the internationalization of Mexican technocracy are directly related. For reasons outlined above, during the 1980s and '90s there was a tremendous proliferation of opportunities for foreign-trained economists to work within the Mexican government, since top-level technocrats preferred to work with subordinates like themselves (often their former students). This high-profile trend swelled the enrollments of internationalized economics programs such as those of the ITAM and the Colegio de México; the success of these programs, in turn, led other programs to emulate them. At the same time, Mexico's technocratic government was willing to provide ample financial support for the most elite, Americanized sector of Mexican economics.

As a result of the trends mentioned above, Mexican economists with graduate degrees from Harvard, MIT, or the University of Chicago were increasingly able to find work as *academic* economists. This has meant that an elite sector of the Mexican economics profession has come strongly to resemble its counterpart in the United States. Not only do these economists have graduate degrees from American universities, but they work within academic institutions—in contrast to earlier generations of Mexican economists who had to work as full-time public officials.

One of the fundamental lessons of this book, however, is that appearances can be misleading. Recent literature suggests that we should be skeptical of the idea that neoliberal convergence will create a homogeneous whole—"one world," based on a single set of institutional patterns. Even though markets and capitalism are the order of the day, there continue to exist a number of "capitalisms" based on very different institu-

tional arrangements (cf. Evans 1995; Hollingsworth and Boyer, eds., 1997; Hamilton and Biggart 1988; Soskice 1999; Hollingsworth, Schmitter, and Streeck, eds., 1994). Similarly, although national systems of economic expertise have come to resemble one another in many respects, we should expect important national variations to remain.

Thus, although American visitors may still be impressed by the apparent familiarity of Mexico's most elite economics departments, the "institutional logic" (cf. Biggart and Guillén 1999) undergirding Mexican economics remains radically different from that of its disciplinary counterpart in the United States. Most important, Mexican economics is still fundamentally guided by the logic and the resources of the Mexican state—a very different base from that of American economics, which is fundamentally an academic profession.

Conclusion

National systems of social-scientific expertise reflect local institutional and material conditions. As national economies have become more global, there has been a corresponding globalization of economic expertise, paralleling the transnational adoption of the neoliberal paradigm. Nevertheless, national context still matters. The following chapter shows how the Latin American and peculiarly Mexican context shaped the Mexican economics profession during the first several decades of the twentieth century.