The Role of Ideas in Neoliberal Economic Reform: The Case of Argentina

Shannon O'Neil Trowbridge
Department of Government
Harvard University
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A widespread economic policy shift occurred in Latin America during the 1980s and 1990s, with many countries moving from developmentalist or statist economic models toward a neoliberal economic framework. In concrete policy terms, this change enabled an opening of the region's economies through various means, including the reduction of tariffs, reduction or elimination of state-sponsored subsidies, opening of capital markets, relaxation of labor laws, reduction in public employees, privatization of state-owned enterprises (SOEs), and changes in currency regimes and foreign exchange policies.¹

While the reasons behind this shift are undoubtedly numerous, complex, and intertwined, scholarly analyses usually focus on one or a few predominant explanations. These can be summed up as market-centered, power-centered, interest-oriented, state-centered, and institutional arguments. In this paper I propose adding another explanatory category to theories of neoliberal policy change in Latin America: ideas.

This paper will look at the influence of neoliberal ideas in economic policymaking in two realms of interaction. It argues that the diffusion and acceptance of neoliberal ideas was important both within elite policy negotiation as well as within the general polis, given democratic political structures.¹¹ Internationally the increasing openness of Argentine foreign policy combined with increased acceptance by democratic nation states, allowing for greater exchange of ideas through networks of academics and policymakers. These ideas encouraged consensus among policymakers and economic experts in the 1980s based on their persuasiveness as a coherent alternative economic framework that better answered the questions and concerns of existing economic pressures and problems. Domestically democracy encouraged the participation (and required the support) of the larger domestic population. It also strengthened channels for diffusion of ideas to the general public by freeing the expression of the media, private and public research institutions, and by encouraging concerted government campaigns (to rally support). Greater exposure to ideas and an enhanced general understanding of the new economic framework provided support (or at least acquiescence) from the general public, enabling successful policy change.

By looking at one specific Latin American case, Argentina, I will show how the diffusion of ideas made a difference in the acceptance and implementation of neoliberal economic policies. Comparing the failed attempt at neoliberal reforms under economic minister Martinez de Hoz (1976-1981) with the success of Menem's economic ministers (1989-1994), one can see the influential and decisive role of ideas in the formulation and consolidation of successful economic policy.

### Alternative Approaches:

**Market-centered explanations:**

Much of the literature addressing the adoption of neoliberal reforms across Latin America in the latter 1980s and 1990s points to the influence of economic conditions and specifically economic crisis as the main causal factor behind policy change. One representation of these arguments stresses that the combination of the exhaustion of ISI development models and economic crisis (after the onset of the debt crisis) forced economic policy change toward the "more successful" neoliberal model.¹⁰

A variant of this structural view is the literature that focuses specifically on the role of crisis in enabling policy change. These scholars argue that structural conditions combined with deep economic crisis open up space for significant policy change.¹⁵ In Argentina, this approach would point to the deepening of economic crisis and rise of hyperinflation in 1989-1990, which finally allowed for fundamental alterations.
The problems with these models of policy change are several. In particular, they do not explain the timing of economic reforms in Latin America. The exhaustion of ISI models and the onset of economic crises were apparent in many countries by the 1970s, yet reforms were often not consolidated until the 1990s. In Argentina, the exhaustion of ISI was an explicit reason for Martínez de Hoz's introduction of neoliberal policies, yet he failed to successfully reform the economy in the latter 1970s.

Additionally, the argument that fundamental reform often requires extreme crisis borders on tautology. In these analyses, the "required depth" of crisis is defined by the significance and duration of the reforms that followed, not by some objective \textit{a priori} measure.\cite{footnote:a} In the Argentine case, the military overthrew the civilian government in 1976 precisely due to the widespread economic, political, and social crisis.\cite{footnote:b} At the outset, the regime was intent on restructuring the economy (as well as society) precisely because of the noted failures of past policies. Yet neoliberal reforms failed to take hold in the latter 1970s, and Argentina experienced several further economic crises before successful reform was accomplished in the 1990s.

\textbf{Power-centered explanation:}

Another prevalent explanation of economic change derives from power-centered models. These see the Latin American countries as relatively weak within the international geopolitical structure, and therefore more vulnerable to pressures from other states or from multilateral organizations (often assumed to be controlled by hegemonic or powerful industrialized countries).\cite{footnote:c} Concerning neoliberal policies, this line of argument would claim that the IMF, U.S. government, or international banks (implicitly backed by the U.S. or other Western governments), forced debtor governments to adopt specific neoliberal policies in order to maintain either creditworthiness and/or entrance to international markets.\cite{footnote:d} One view maintains that economic policy making largely became a reflection of these external economic constraints due to the increasingly asymmetrical power relations between Latin American countries and international financial institutions and creditor countries that developed in the 1980s.\cite{footnote:e}

Yet this explanation again does not explain the timing of reforms, nor does it explain the variation in instituted neoliberal reforms. While the debt crisis hit Latin American countries in 1982, many countries did not implement neoliberal policies until the 1990s. When they did implement reforms, the Latin American countries followed different paths, often concentrating on different areas for liberalization and implementing different types of policies. If external actors controlled the liberalization of these economies, one would expect greater homogeneity in both the timing and content of the reform process throughout the region.

Instead of hegemony, the inability of multilateral organizations to impose policies is evident. In the case of Argentina, the Alfonsín government explicitly rejected standard IMF stabilization and liberalization reforms in favor of a heterodox package in 1985, the height of the debt crisis. Additionally, countries that quickly accepted stringent IMF conditionality agreements did not fare significantly better in terms of long-term access to trade or financial markets, limiting the salience of a U.S. or a multilateral threat.\cite{footnote:f}

Finally, the signing of IMF agreements and compliance with the terms therein did not necessarily lead to long-term structural changes and acceptance of neoliberal policies. These agreements were more often focused on short-term stabilization policies, not long-term structural changes (while the IMF encouraged such change, it was not required). In Argentina, an IMF agreement was signed under Martínez de Hoz without producing successful economic policy reform. Additionally, when the Menem government finally signed a Brady debt reduction plan in April 1993 (effectively resolving the 1980s debt crisis), most of the structural economic reforms of the economy were already initiated and even completed. While this show of support and the subsequent increase in funding and capital flows from the international community may have helped Menem consolidate reforms, by itself it did not influence their initiation or their general acceptance by the Argentines.
Interest-oriented explanations:

Another explanation of policy change focuses on domestic politics and the role of interest groups. This view perceives the state as a conflictual arena in which interests groups vie for power and spoils. Proponents of this school argue that while economic conditions may have encouraged or even required policy changes at an earlier time, the success or failure of economic reforms depended on the power balance of pro and anti-reform groups within society (Erro 1993, de la Balze 1995, Canitrot 1994, Alesina and Drazen 1991).

One limitation of this approach is in knowing the interests of individual actors within society. While most analyses talk about "business," "labor," and "agriculture" as easily aggregated groups with singular identifiable interests, closer reflection delimits substantial divisions due to size, sector, external relations, current operations and future projections. Even within organized associations significant dissonance arises as to long-term goals and positions regarding reform.xi

More generally, domestic politics arguments usually assume interests or preferences are easily identified and stable, based on some a priori knowledge of future policy payoffs. Yet given the complexity of economic policymaking and the interconnections with political and social worlds, outcomes of economic policy are far from certain. The unforeseen or unintended consequences of policies (especially broad-sweeping transformations of the prevailing economic model) mean that groups can not exactly "know" their interests.xii In situations of upheaval and broad policy change information flows are inherently imperfect, making payoff matrices extremely difficult to calculate, and hence the force of domestic interests alone less decisive.

In these types of situations, one can question whether interests are objectively fixed or known a priori. Periods of extensive economic and political reform, involving numerous changes, interaction effects and unintended consequences are exactly those in which "substantive rationality" in decision-making may fail.xiii Instead "bounded rationality" or mental maps based on socialization and prior experiences predominate, limiting the explanatory power of "interests."xiv

Finally, interest oriented explanations do not explain the time and expense spent in framing policy arguments.xv If interests were tantamount, the effort to "spin" policy proposals and outcome would be unimportant and an "irrational" use of resources.xvi

State-centered explanation:

State-centered approaches have a different view of interests, one that conceptualizes the state as an independent actor rather than an arena in which distributional conflicts are resolved. Here state officials have their own agendas and interests to promote. Policy change may or may not occur depending on the interests of bureaucrats and state officials (Evans 1979, 1995; Evans, Rueschemeyer, and Skocpol 1985).

State-centered approaches have the benefit of addressing interests within the state apparatus itself, but like other interest-based approaches they do not adequately explain where these conceptions come from or how they develop predominance. One argument assumes that bureaucrats and civil servants want to maintain their individual power, and therefore often are against significant policy change (using their influence with politicians to vote against reforms and using their control over implementation to hinder actual reform).xvii Changes in economic policy, particularly those introducing neoliberal reforms, threaten such bureaucrats both in the redistribution of power between state institutions and in the privatization of state-owned enterprises or SOEs, (which generally reduces public employment).

A problem with this bureaucratic focus in examining economic policy change is that sweeping economic policy decisions are often made by politicians or political appointees that have less of a vested interest in maintaining the role or funding of specific institutional
arrangements.\textsuperscript{xviii} Those most affected, for instance public bureaucrats in SOEs, usually have little influence on the formation of macroeconomic policy.

Another view depicts bureaucrats and politicians as capable of farsighted, "enlightened" policy making, and willing to implement such policies. To succeed in these efforts, they require significant autonomy or isolation from the pressures of domestic interest groups.\textsuperscript{xxvii}

Yet this approach to state interests does not explain why these politicians or bureaucrats choose one set of economic policies over another.\textsuperscript{xv} Instead, explanations implicitly assume that "correct" policies are apparent to these individuals or agencies. How a consensus is reached is under-theorized and under-researched.

\textbf{Institutional explanations:}

Institutions are often used to explain economic policymaking. The form of institutions within a state and its society (for instance electoral rules, bureaucratic organization and administrative capacity), all influence the coherence of policy and likelihood of certain choices. Institutions are also seen to filter information flows and shape interpretations of received information, thereby influencing subsequent policy choices (North 1990). What this institutional focus is less able to explain is policy change, since institutions are often assumed to be stable and fairly permanent.\textsuperscript{xxii}

Other depictions look specifically at institutional change, citing it as the main explanatory variable for policy shifts. With regard to neoliberal economic policymaking in Latin America, specific institutional arguments focus on the centralization of power in the executive branch in the latter 1980s and into the 1990s. This argument states that increasing centralization of power allowed Presidents (and their technocrats) to push through neoliberal economic reforms despite the concentrated costs incurred by protectionist domestic groups.\textsuperscript{xxv}

Yet these explanations usually do not trace how change occurs or why specific sets of policies result from the witnessed institutional changes.\textsuperscript{xxvi} Looking specifically at Argentina, the power centralization argument does not explain the failure of neoliberal policies under the military regime and then their later success during the democratic Menem administration, since power was relatively more concentrated during the earlier period. Furthermore, successful reforms coincided with the sharing of power with Congress, not the expansion of presidential decrees.\textsuperscript{xxvii}

\textbf{Ideational explanation:}

A final explanatory variable influencing policy change is the role of ideas. While less defined then many of the other approaches, Kingdon argues that "ideas turn out to be as important as political pressures" in public policymaking.\textsuperscript{xv} Ideas influence policymaking both through their persuasiveness in resolving current problems and their ability to shape the worldview of policymakers and the general \textit{polis}. The persuasiveness of ideas primarily depends on their relevance in addressing and solving current policy problems, their relationship to past policy successes or failures, and the internal coherence of the ideas themselves.\textsuperscript{xxviii} In addition to direct influences on policy debates, ideas can shape the perception of problems and hence subsequent solutions. This influence on perceptions can spread beyond elite policy networks to encompass private interests and the general public.\textsuperscript{xxvii} By setting the framework through which information flows, ideas shape the understanding of events, which in turn influences policy questions and answers.

Within this literature on the role of ideas, differing views exist. One perspective sees ideas as a focal point around which difficult collective action problems can be resolved (Garrett and Weingast 1993). This view grants some autonomy to ideas, depicting them as catalysts. Yet the basic assumption of individual preference aggregation and \textit{a priori} self-interest remains at the heart, leaving ideas as a secondary explanatory variable when compared to interests and institutions. This line of reasoning is shown in Goldstein's analysis of U.S. trade laws, where the
"independent" force of ideas is their strategic value in achieving known interests and their continuation within institutions long after the political coalitions that supported ideas are gone. xxviii She does not address how ideas can facilitate actions in and of themselves.

An alternative conception of ideas focuses on the development of networks between like-minded policy experts, and their involvement in framing policy problems and debates with their ideas. xxx As institutions break down or uncertainty increases (which occurs during crises or times of change), more influence is attuned to the ideas of these experts. xxx This view grants significant power to experts, assuming politicians and the general public will turn to these "epistemic" communities given the complexity of the issues at stake. While these communities are present, this argument fails to resolve the means by which specific ideas are chosen (which set of experts are turned to) and how these ideas diffuse through an existing system of institutions and policies.

Another view of the role of ideas in economic policymaking focuses on their power to shape policymakers' worldviews, subsequent policy instruments and specific policies themselves. Hall conceptualizes the power of new ideas as the result of their persuasiveness in resolving current anomalies within the existing theoretical economic model or policy "paradigm." xxxi "Third order" changes, conceived as those fundamentally altering the worldview or economic paradigm on which instrumental policies are based, are seen to require a coherent ideational alternative. xxxii Once adopted, ideas set the rules of the game and establish the issues of importance (hence limiting potential policy alternatives and outcomes). xxxiii Ideas are more than collective action tools since they play an independent role in shaping actor perceptions and interests within political negotiations.

In this view ideas and institutions are conceptually discrete, though interrelated. Institutions play an important role in consolidating ideas in the political and public policy realm, as well as in influencing the coherence of an idea in policymaking. xxxiv Along this line of reasoning Sikkink argues that coherent ideas can independently initiate policy, but believes that their implementation and consolidation within the political system requires "embedding" ideas in institutions. xxxv

While these approaches primarily discuss the role and adoption of ideas in the elite policy realm, a focus on the acceptance and promulgation of ideas by the broader public is in order, particularly within democratic societies. xxxvi The general public is often skeptical of experts, and may not support policy reforms around which only expert consensus exists. xxxvii Without broader acceptance of a policy paradigm, initiated reforms have less chance of consolidation and long-term staying power. xxxviii

The sociological literature on diffusion helps explain the success or failure of ideas to become a part of more general societal frameworks. Diffusion entails the embedding of organizational forms, institutions, or ideas in social norms, conventions and notions of "appropriateness" (Meyer et. al. 1997, Strang and Meyer 1993). Once ideas are chosen and promoted by certain political entrepreneurs, their successful spread and acceptance depends on several factors. These include the level of consensus around new ideas among experts, the centrality and prestige of those pushing for change, the level of media attention (the higher the better), and the theorization and abstraction of the ideas (the higher the level the more likely more quickly the diffusion). xxxix Successful diffusion means that new ideas become generally accepted as a "natural" or "taken-for granted" framework in which to understand and resolve social and economic problems.

To explain different economic policy outcomes in Argentina, I will combine the conception of the role of ideas espoused by Hall and Sikkink (among others) focused on elites with a greater focus on the diffusion and acceptance of ideas throughout the public realm. By looking at the case studies of economic policy-making under the military Proceso de Reorganizacion Nacional (Proceso) and the Menem administration, one can see how variation in
the diffusion and acceptance of neoliberal ideas by the elite and the general public influenced final economic policy outcomes.


The Argentine military overthrew Isabel Peron in 1976 with broad support from Argentine society. The new military junta, headed by army commander General Jorge Rafael Videla, quickly installed Jose Alfredo Martinez de Hoz as the minister of economics. Martinez de Hoz was well known for his liberal economic ideology, coming from a prominent agricultural family. Under his command, the economics ministry was given the mandate (and the power as a "super ministry") to implement wide sweeping economic reform.

Martinez de Hoz and his economic team began by implementing basic stabilization policies and by setting out a plan for fundamental structural reforms. In the first period of his tenure, he reduced export taxes and import tariffs, froze wages (leading to their steep decline in real terms), increased public utility and food prices, and cut welfare subsidies. Later, he initiated temporary price freezes to combat inertial inflation. A main component of his reforms was the 1977 Banking Reform, which significantly opened up the financial sector of the economy by freeing interest rates, centralizing monetary authority in the Central Bank, and opening the sector to foreign participation. In addition, funding for public firms was remanded to the financial markets. In May of 1978, the policy of "deindexation" was implemented to fight continued high inflation, which "de-linked" exchange rate devaluations and public service price increases from final private-sector prices.

By the end of 1978 continued inflation and poor economic performance led to another change in policy, spearheaded by the **tablita**, a preannounced schedule of devaluations of the peso designed to gradually reduce to zero by 1981. This policy included indexing of public wages (at a level lower than the scheduled devaluation), and the enforcement of credit restrictions.

While these policies initially reduced inflation (from over 600% in 1976), financial and trade liberalization did not produce the expected increase in domestic and especially foreign investment, and was accompanied by increasing fiscal deficits. The peso became overvalued, inflation and government debt increased, and a balance of payments crisis reemerged at the end of Martinez de Hoz's term, signifying the failure of his policies.

While initially Martinez de Hoz's monetarist policies were coherent, a lack of consensus among decision-makers regarding his economic model led to ad hoc policymaking and a focus on often contradictory goals. Over time Martinez de Hoz's economic plan moved to accommodate more diverse theoretical groundings, particularly with the advent of the **tablita** and later nationalization of failing banks and industries. Indeed, critiques from neoliberal intellectuals and political figures at the time highlight the actual paucity of monetarist policies and the incoherency of his reforms. By the latter part of his term as Economic Minister, even the central bank team was allied against him, wanting to implement a more orthodox neoliberal model. In fact, it has been suggested that under his administration the economy of Argentina became no more liberalized than that of Yugoslavia. Instead of trimming the size of the government, the number of SOEs increased and public sector outlays nearly doubled. Why was this the case?

One argument is that domestic interests were not amenable to these changes, and therefore they did not occur. Yet the military government was one of the most centralized (and repressive) in the history of Argentina. This power should have strengthened the government's hand against domestic pressures. In addition, corporatist entities, in particular business and labor, were divided and weakened during the military-led **Proceso** regime, presumably limiting their influence over the implementation of liberal policies.

Institutional arguments would seem to favor successful reform. While power was shared between the three branches of the armed forces through a junta structure, authority was more centralized within this body than under later democratic regimes (due to the exclusion of public opposition). As a result, the institutional arguments used later to explain Menem's success, based
on the centralization of power in the executive, should predict greater ability to change economic policy profoundly under the non-democratic regime. Indeed, many attribute the success of Chile's neoliberal reforms to the non-democratic nature of their implementation. Yet in Argentina this was not the case. To explain this puzzle, one needs to look at the divisions within the elite policymakers regarding the "correct" way of viewing economic problems and hence policy solutions.

Ideas are most influential when internally coherent and when able to create a consensus regarding the conceptions (and hence potential solutions) of economic problems. Though Martinez de Hoz began with the backing of the (traditionally liberal) Navy and the Army (due to Videla's personal views), the air force and several factions within the army remained nationalist and developmentalist (desarrollista) in economic orientation. These military branches and groups (which remained powerful due to the institutional governing structure of the junta) were skeptical of neoliberal or monetarist policies as the paradigm from which to solve the nation's substantial economic problems. This fundamental ideational division within the military played itself out in the (much reduced) public realm, with desarrollista views continuing to be expounded by the newspaper Clarín and neoliberal approaches expressed in the newly founded Ámbito Financiero.

In addition to these divisions, monetarist and neoliberal policies were just beginning to be tested in other countries. As a result, no "successful" model was completed or identifiable. The lack of a tested alternative economic model combined with the divisions within the military government limited the ability of Martinez de Hoz to implement coherent monetarist and/or neoliberal policies. Instead, under his tenure policymaking became increasingly ad hoc and subject to external pressures, interest groups, and internal feuds.

The exclusive nature of Argentina's political institutions at the time would seem to make public understanding and acceptance of reform less important than it would be under a democratic regime. Yet even authoritarian governments require some tacit public approval to support its policies and continued governance. Political debate during this period was strictly controlled, with parties banned for the period. Magazine circulation dropped significantly as well, limiting the interchange between the government and society. As a result, the diffusion of the new neoliberal ideas to groups within larger society was limited, ultimately influencing their success.

As a result, despite the serious economic pressures and problems, the lack of understanding and consensus on economic ideas and frameworks for problem solving (both within elite policy circles and decisionmakers and among the more generalized public), led to the eventual failure of the reform initiatives.

Argentina under Menem (1989-1994)

Menem was elected President on a vague (and at times seemingly contradictory) economic and social platform, and assumed office in July 1989 during an economic crisis. His initial economic policies, designed by Bunge y Born financier Miguel Roig and carried out by Nestor Rapanelli, consisted of basic stabilization policies, including a devaluation of the Austral, increases in public service prices, and initiation of privatizations. During this initial period, a law of State Reform and a law of Economic Emergency were passed; allowing for the privatization of SOEs and for a freezing of state sponsored subsidies to the private sector. While this initial "B.B. plan" swiftly liberalized some areas of the economy, it failed to curb hyperinflation and economic instability.

The next phase of Menem's reforms occurred under economic minister Erman Gonzalez, beginning in 1990. This package of neoliberal reforms was labeled the Bonex Plan, and consisted of extending the maturity of public debt to nine years, initiating restrictive monetary policy, floating the exchange rate, and maintaining the previously implemented economic policies.
Though these reforms allowed a significant build up in international reserves, the fiscal deficit continued and led to another bout of high inflation.

In 1991 Domingo Cavallo was appointed economic minister, and under his tenure further reforms were introduced and previous reforms were consolidated. He is credited with "homogenizing" Argentine thinking, building a consensus in favor of liberal conceptions of economic policy making. In particular, Cavallo introduced the Convertibility Law (which was approved by Congress in April 1991). This guaranteed the value of the currency by backing it unequivocally with U.S. dollars. The easily understood format, its congressional backing, and its quick success rallied popular support around the plan and provided an anchor for continuing the reform process.

Cavallo worked with Congress to further deregulate the economy, reform public administration, increase tax collection, continue trade liberalization, lower labor costs, link salary increases to productivity, open union markets, and centralize control over worker funds.

Unlike so many previous reform attempts, those under Menem proved to be successful and long-lasting, weathering the 1995 economic crisis instigated by the Mexican peso devaluation and the rising unemployment of the latter half of the 1990s. What had changed that allowed the passage and consolidation of neoliberal policies in Argentina in the early 1990s?

Many argue it was the changing power of interest groups (Erro 1993, de la Balze 1995, and Bartell and Payne 1995). The failure of inefficient businesses after the debt crisis and the decline of labor union strength tipped the balance of power in favor of groups supporting neoliberal reforms. While the role of interest groups was definitely important in supporting or opposing both specific policies and broader economic models, this analysis does not fully explain the change in position by powerful groups. Many groups that would be harmed by neoliberal reforms publicly supported reform initiatives or at least did not publicly voice disapproval during this period. This public acceptance and verbalization of neoliberal solutions to economic problems (whether or not these economic actors were sincere in their public comments) highlights the growing power of these economic ideas. In addition, this public dialogue was important in continuing the diffusion of neoliberal ideas among the general public.

An institutional argument identifies the increasing centralization of power within the executive branch under Menem (evidenced by his penchant for presidential decrees) as the reason for successful policy reform. Yet the Menem administration, particularly under Cavallo's tenure, often worked with and through the Congress. One could well argue that power over economic policymaking was more concentrated under Martinez de Hoz, since under the military regime there was no legislative branch from which he needed even tacit approval. Yet still he failed to implement successful neoliberal policies while Menem succeeded. As a result, this institutional argument does not fully explain the success of one government and failure of another.

Instead, I argue that the persuasiveness and diffusion of ideas built a new general consensus for neoliberal policies. Neoliberal ideas reoriented the perceived interests of societal actors, resulting in broad support for the initiation, implementation and consolidation of economic reforms. This diffusion and acceptance was influential both in elite and popular circles, and as a result allowed fundamental and long-term policy change.

One part of the explanation of the effectiveness or persuasiveness of neoliberal ideas under the Menem administration was the role of crisis. In 1989, hyperinflation was rampant, capital flight was prevalent, and the state was near bankruptcy. In addition, the recent crisis was preceded by many years of economic decline in which several alternative policies (specifically desarollista and more recently heterodox plans) had been tried and had failed to revive the economy. These conditions allowed the ascendance of new conceptions in the economic policy process. Yet while crisis opened up the space for reform, it did not dictate the direction or success of reform efforts (as seen in 1976 and 1985).
By 1990 neoliberal ideas had gained greater coherence, both theoretically and through experience with practical applications. On the theoretical side, the much-touted Washington Consensus had developed abstract solutions for economic recovery. This and other studies provided a well thought out, coherent neoliberal model with which to challenge earlier desarrollosta models.

On a practical level, many of the industrialized countries (in particular the United States and England) had developed and fine-tuned monetarist policies since the latter 1970s. This provided a decade of concrete monetarist policy directives to observe and potentially follow. Within Latin America itself, the neoliberal Chilean model (after much general hardship) was producing growth and development, allowing it to be held up as a successful solution to economic crisis and decline.

The opening up of Argentine society to the world under democracy in the 1980s allowed for the spread of these (now more coherent) ideas to Argentina. Border disputes with Chile were settled, relieving trade restrictions and reducing long-held suspicions and animosity. Furthermore, the transition in Chile back to democracy strengthened intergovernmental ties. Greater exposure to Chilean businesses and tourists, and closer relations between the Argentine and Chilean government meant greater exposure to their neoliberal economic model developed and consolidated under Pinochet. Argentina's relationship with the economically liberal United States was changing, moving from one of suspicion and animosity towards closer recognition and even friendship.

Foreign policy changes went beyond relationships with its neighbors and regional hegemon. Argentina opened up to the larger world of nation states after the return to democracy, increasing its international participation and multilateral involvement, particularly in United Nations peacekeeping arrangements. These closer ties with liberal economies and more general international exposure facilitated the diffusion of neoliberal ideas that were circulated within many countries and increasingly within the larger world culture.

Domestically, the return to democracy allowed the reinvigoration of civil society and decensorship of the media. Newly formed organizations joined older, often rejuvenated, ones to push their ideas and preferences in the political realm. Established political parties again vied for voters' attentions, leading to vigorous public policy debates. All these events and attitudes were freely covered by the press. Editorials of many ideological leanings were again produced and published. While this opening of the media did not assure the spread and acceptance of neoliberal ideas (shown by the initial gravitation toward heterodox measures), it did allow for the greater dissemination of ideas and issues to the general public. Once a consensus among influential policymakers formed around neoliberal ideas, the previous development and deepening of these channels of communication under democracy were important for their diffusion. The presence of these channels under Menem represented a significant difference from the conditions encountered by Martinez de Hoz.

Another arena providing information and often gaining popular attention consisted of numerous private and public think tanks and research institutions. These included the Centro de Estudios de Estado y Sociedad (CEDES), the Centro de Estudios Monetarios Argentinos (CEMA), FIEL, the Instituto de Desarrollo Económico y Social (IDES), the Di Tella Institute, and especially Cavallo's Fundación Mediterránea. These institutes facilitated the diffusion of neoliberal ideas by housing leading intellectuals (who often had studied abroad) and by developing inter-disciplinary and inter-sectoral academic policy exchanges. In this role they helped build an elite intellectual consensus, and trained many of the economists that would go on to develop and implement actual policies within the Menem government. These institutions also developed and formatted neoliberal ideas for the greater public. Frequent quotes in the daily newspapers, numerous conferences, and prolific speeches provided user-friendly economic information to the broader public.
In addition, Cavallo and Menem devoted numerous speeches and public announcements to the explanation and support of neoliberal ideas. The development of less technical concepts (such as Convertibility) and their broad dissemination through all available public channels led to greater understanding and hence acceptance by the larger public. Peronist leaders also participated in spreading information through party channels (especially after voting for reforms in Congress). By Menem's election in 1989, an ideological consensus indeed seemed to be present. All three candidates (Carlos Menem, Eduardo Angeloz, and Alvaro Alsogaray of the UCD) had similar economic plans (though Menem's appeared vaguer than the other candidates). Earlier Peronist economists, in particular Guido di Tella, came out for the opening of the economy through liberalization and for the rationalization of the state. Even previous economic minister Martinez de Hoz alluded to this change, stating "that the change in mentality of the population [regarding neoliberal economic policies] has brought about" a break with the past, allowing the implementation and consolidation of reforms.

Public opinion data from the latter 1980s shows the increasing concern with and changing understanding of economic problems in Argentina. Mora y Araujo shows that the general public slowly changed its perception of state intervention between 1985 and 1990. He finds that mid-1980s support for interventionist, corporatist, nationalist and distributive policies declined as the general public came to endorse growth-oriented policies based on private sector initiatives and greater links with the U.S. and European capitalist economies. For instance, public support for privatization increased from around 57% in 1985 to over 75% in 1990. Public opinion regarding which countries Argentina should strengthen ties with saw support for industrialized counties rise from 40% in 1985 to 70% in 1991. Implicitly part of strengthening these ties involved changing Argentina's economic model (as many of these countries both organized their own economies along more liberal lines as well as pushed the Washington Consensus as an appropriate response to Latin America's economic problems).

Once both elites and the more general public accepted neoliberal ideas, the Argentine institutional structures facilitated the implementation and consolidation of reform. The strong executive authority cited by Haggard and Kaufman, Acuña, and O'Donnell did assist the implementation of ideas once an ideological consensus developed. Yet as important (especially under Cavallo's tenure) were the formal institutional structures of democracy within Argentine. The closed-list proportional representation system encouraged party line voting, as party leaders controlled the listing process. In fact, in 1992 Mustapic and Goretti found that when voting on bills within committees, over 98% of the UCR members of both houses voted as a bloc, and over 97% of the PJ members voted together. The effect of these institutionalized rules, the Peronist majority in the upper house in 1989, the agreement by the UCR to support economic reform initiatives during Menem's first several months, and frequent UCD support gave Menem the power to implement significant reforms.

This majority and near majority facilitated the reform process, despite the disagreements or qualms of certain politicians with the broad-sweeping changes. While a split within the Peronist party occurred during this period (meaning less straight party voting and hence control than before), the growing power of Menem's Renovadores faction and the cooperation of the smaller UCD party usually meant a majority backing (either tacit with decrees or explicit with laws) for Menem's reforms.

While institutions were important in facilitating these reforms, it was the acceptance of new ideas (in both the elite and public realms) that provided the instigant for the new initiatives and the backing for their eventual consolidation. Opposition did arise within congress, yet it was unable to provide a coherent alternative framework for reform, further attesting to the developing consensus around the neoliberal economic paradigm. This outcome further supports the crucial role ideas played in the successful reform process.
Conclusion:

This paper has argued that ideas, their diffusion, and their acceptance were crucial to successful neoliberal reforms in Argentina. Unlike much of the political science literature on ideas, it argues that their acceptance at the elite level and by the general public was necessary in initiating, implementing, and consolidating reform.

While I argue that ideas were integral to the reform process in Argentina, this does not preclude any influence from other factors. Interests helped consolidate ideas. The decline and bankruptcy of many subsidized industries during the 1980s removed some opposition to change, and Corrales (1998) shows evidence of side payments to some key interests during privatizations. Nevertheless, interests are not the whole story. Instead, the diffusion and acceptance of neoliberal ideas was key to the success of reforms under the Menem government.

Continued and deepening crisis opened up the government and the general populace to the need for policy change. Neoliberal ideas were available as a coherent alternative to failing statist policies, encapsulated in the Washington consensus and tested in other Latin American countries, particularly Chile. These ideas in the economic policy realm complimented the newly developing conception and worldview of Argentina's place in the foreign policy realm, namely greater opening to the world and more congenial and frequent interaction with the U.S.

These ideas diffused through the elite policymaking circles primarily through educational facilities (in Argentina and abroad) and independent think tanks and policy centers. In particular, Domingo Cavallo's Fundación Mediterránea, became a base of technical and elite support for the eventual policies implemented under his term as economic minister. These ideas simultaneously spread throughout the general public due to increasing press activity, new financial news outlets, prevalent information from think tanks, and numerous governmental speeches and campaigns to vocalize reform options. As a whole, these sources brought neoliberal ideas to the public and "softened up" general opinions, encouraging the acceptance of neoliberal reforms.

Once these ideas forged an elite consensus and general public acceptance, the particular institutions of the Argentine state at the time (closed-list proportional representation electoral systems, concentrated executive authority, and traditionally strong party organizations) allowed for the relatively speedy implementation and consolidation of these economic reforms. So while domestic and institutional variables remain important to explaining economic policy reform, the overarching direction of policy change, and its continued success, is better explained by analyzing the role of ideas.

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1 The presence and extent of each of these reforms varied between Latin American countries.
6 In the economic realm, inflation topped 600%, international monetary reserves had plummeted, short-term debt had increased significantly, and a balance of payments crisis existed.

ix Robert R. Kaufman, The Politics of Debt in Argentina, Brazil and Mexico: Economic Stabilization in the 1980s. Berkeley, CA (1988): Institute of International Studies, 120. For example, by 1986 Mexico, Brazil and Argentina’s rescheduled debt all received a 0.81% spread over LIBOR, despite their very different approaches to dealing with foreign creditors. Figures from ECLAC.


xiv ibid., 13-14.


xvi ibid., 398.


xx Sikkink, 11-12.


xxiv There are other institutional arguments that see institutions as the codification of ideas and ideologies (Denzau and North 1994) or the place in which ideas are embedded (Sikkink 1991 and Goldstein 1993). These will be explained further in the following section on ideas.

xxv Kingdon, 151.


xxvii Braun and Busch, 22-23.


Haas, IO, 14.

Peter A. Hall. "Policy Paradigms, Social Learning and the State: the case of economic policymaking in Britain." *Comparative Politics* (April 1993), 275-296. Hall differentiates between the fine tuning of current policies (first order changes), the changing of policy instruments while maintaining the same overall economic goals and outlook (second order changes), and the altering of the framework of ideas and standards in specifying policy (third order changes or paradigm shifts), 278-279.

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Hall (1992), 99.

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ibid., 108.

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Sikkink, 22-23.

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These include the coupling of monetary policy with goals of low unemployment and maintenance of current standards of living; and the combination of monetary policy with continued high public expenditure and a large (potentially interventionist) state.

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Alvaro Alsogaray, a prominent neoliberal and later UCD Presidential candidate, criticized the reform process in 1978. Muchnik, 128.

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By making full employment one of his key tenets, Martinez de Hoz diverged significantly from a true monetarist conception or liberal conception of economic policy. *Latin America Economic Report*, August 31, 1979, Vol. 7:34.

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Lewis, 40-41.

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The Argentine institutional structure differed significantly from that of the Pinochet regime in Chile, where neoliberal policies were implemented and consolidated. See Arturo Valenzuela, "The Military in Power: the Consolidation of One-Man Rule." In Paul W. Drake and Ivan Jaksic, eds. *The Struggle for
These divisions are reported in the *Latin American Economic Report*, vol. 5:41, October 21, 1977 and vol. 6:17, May 5 1978. The *Latin American Weekly Report* of July 3 1981 (WR-81-26), chronologies the continuing divisions within the military over economic policy. Also see Rock, David. (1987), 370-371. He argues that even Videla and Viola only supported the short term plans of Martinez de Hoz, and saw the longer term fundamental restructuring of the economy as wrong headed.

Lewis, 40.

*Latin American Economic Report*, vol. 5: 41, October 21, 1977. The *Ambito Financiero* was first published in 1976, Muchnik, 126. It became one of the major financial newspapers by the latter 1980s and into the 1990s.

At this time England was just beginning to implement more monetarist policies, and would not consolidate them until after the election of Margaret Thatcher in 1979. And while Chile had begun liberalization under Pinochet by the mid-1970s, the eventual success of this model was not yet determined. As a result, Martinez de Hoz chose a different neoliberal path, fully liberalizing the capital account while only partially opening trade (hoping not to suffer the de-industrialization and decline in the standard of living that occurred in Chile).


Silva argues that the economic reforms in Chile only became successful when the Pinochet government reached out to the business community for support, including it in the policy formation and implementation process Eduardo Silva. 1996. "From Dictatorship to Democracy: the Business-State Nexus in Chile's Economic Transformation, 1975-1994." *Comparative Politics*: 299-320. Evans' (1995) embedded autonomy approach also highlights the importance of societal participation in economic policymaking.

The mechanics of this failure usually focus on the uncontrolled fiscal deficit, but I argue that the reasons for such deficits were ideational in origin. Guillermo Calvo. "Fractured Liberalism: Argentina under Martinez de Hoz." *Economic Development and Cultural Change*, Vol. 34:3 (1986), 512.


Reforms listed in Acuña, 46-47.

Acuña, 51-53.

See Corrales (1998), 33-34.

ibid., 29.

Legro depicts the phenomena of people or groups espousing beliefs that they either don't believe or which are against their personal interests as evidence of successfully instilled "collective beliefs" in society. See Jeffrey Legro 2000. "The Transformation of Policy Ideas." American Journal of Political Science, Vol 44(3), 419-432.


Like Cavallo, Martinez de Hoz had similar "super ministry" powers (to design and implement policy without cabinet approval) at the beginning of his term.

Legro argues that the failure of ideational frameworks to succeed in their goals leads to questioning of these frameworks and often their collapse. Whether a new framework is consolidated depends on the agents pushing the alternative and the success of the new model (either due to its tenets or to other coincidental factors), pp. 426-427.
The Menem government made a particular effort to deepen ties between the two countries, resolving all remaining border disputes, expanding trade relations and integrating energy initiatives. See Roberto Russell and Laura Zuvanic, "Argentina: Deepening Alignment with the West," *Journal of Interamerican Studies and World Affairs* 31:3 (1992), 119-120.


Meyer et al. depict the spread of economic and structural models for the state as increasingly the result of a developing world culture that defines a "modern" state, its goals (economic development, social progress, citizenship), and the means to achieve them (currently neoliberalism). John Meyer, John Boli, George Thomas and Francisco Ramirez. 1997. "World Society and the Nation State." *American Journal of Sociology* Vol. 103 (1): 151-152.


Menem was particularly effective in addressing the general public, while Cavallo worked on building an elite (and especially congressional) consensus for reforms. Corrales (1997), 72-73.

Kingdon calls these necessary practices "softening up" of the public (134-5). This public relations success in Argentina can be juxtaposed to the public relations failure of the Venezuelan government when implementing neoliberal reforms under Carlos Andres Perez. Moises Naim attributes part of the reform effort's failure to the lack of communication with and understanding by the general public (see Moises Naim. *Paper Tigers and Minotaurs: the Politics of Venezuela's Economic Reforms*. Washington DC (1993): Carnegie Endowment for International Peace, 150-152).

Corrales (1997-98), 637.

For a comparison across economic issues, see the *Latin America Regional Report*, May 25, 1989 (RS-89-04).

Erro, 192-193, footnote 18.

Foreward by Martinez de Hoz in Erro, xv.


ibid., 142.

ibid., 152.


The UCR agreed to support Menem's initial economic policies in exchange for his early assumption of the office of the Presidency during the economic crisis of 1989.


Blyth, Mark M. "Any More Bright Ideas? The Ideational Turn of Comparative Political Economy." Comparative Politics (January 1997).


