



Market Reforms, Technocrats, and Institutional Innovation

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Summary. — Successful market reform projects require significant revision of government agencies, institutional arrangements, and policy-making procedures, in part, to provide reformers autonomy from countervailing pressures. This paper examines how such innovations facilitated reforms in Mexico and Argentina. It finds executive leadership helped facilitate institutional change, but that technocrat policymakers played more crucial roles than previously documented. Through rule-changing, instrument-creating, and strategizing behaviors, they helped engineer their own autonomy and gained control of the policy agenda by changing the organization of decision making, and the position they occupied in the bureaucracy. These findings hold across distinct policy arenas and political systems. © 2002 Elsevier Science Ltd. All rights reserved.

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1. INTRODUCTION

Studies of “first wave” market reforms in developing countries yield two fairly consistent findings. First, to advance liberalization initiatives successfully requires significant revision of government agencies, institutional arrangements, and policy-making procedures, in part, to provide reformers autonomy from countervailing pressures. Second, in this process presidents and policy technocrats play critical, but fundamentally distinct roles; in terms of effective institutional change, the fate of reform projects are seen to hinge on a president’s capacity to assemble a cohesive, technocratic “change team,” insulate it from countervailing pressures, and delegate to its members the authority to craft sound policies and execute tough policy choices (Haggard & Kaufman, 1995, p. 9).

These findings surface repeatedly in the reform literature. As Nelson (1993, p. 436) observed,

In almost all cases of vigorous and sustained reform, political leaders concentrated authority for economic management in ‘change teams’ and protected those teams from political pressures both from outside and from within the government itself.

The chief executive is the agenda setter [and can] privilege the position of technocrats by assuring that their viewpoints enter the sequence of deliberations at the stage in which their viewpoints are most likely to prevail... technocrats will appear powerful because their policies so frequently prevail. But that success reflects *the structuring of the political process by their political patrons*, rather than the power of the technocrats themselves (emphasis added).

By stressing the importance of autonomy-promoting institutional change, first-wave research contributed greatly to explaining why some governments proved more successful at implementing market reform projects than others. Indeed, some scholars concluded that securing effective institutional innovation trumped the importance of assembling a technocratic change team. As Haggard (1994, p. 470) argued,

The critical question is not whether a technocratic team exists, but where it sits in the institutional matrix. It can be stated categorically that not a single reform effort [out of thirteen case studies examined] was initiated and sustained without supportive changes in the institutional setting.

Many analysts, no doubt believed the process of institutional change was more complex than

Similarly, Bates (1999, p. 7) states

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often portrayed, and close scrutiny by some (Domínguez, 1997; Grindle, 1996; Grindle & Thomas, 1991) revealed that technocrats—not just presidents—played clearly pro-active roles. Nevertheless, despite calls to look critically at activities inside the state (Geddes, 1994), sustained, systematic accounts of how these innovations actually occurred are rare. Consequently, the notion that presidents lead, delegate, and protect, while technocrats formulate and implement policy assumed a prominent position in the reform literature (Bates & Krueger, 1993a, pp. 463–464; Haggard & Kaufman, 1995, p. 9; Haggard & Webb, 1994, p. 13; Manzetti, 1999, pp. 24–25; Waterbury, 1993, p. 27; Williamson & Haggard, 1994, p. 579).

Some of the most successful reform campaigns, however, display a different dynamic. In these cases, presidents remained important but technocrats proved to be effective political actors too. By working to change the rules, procedures, and instruments which governed the policy-making process they helped engineer their own autonomy, gained a decided advantage over reform opponents inside the state, and acquired enormous leverage over the reform process itself. Such institutional innovation did require executive approval, but not executive initiation; and policy makers that pursued these tactics greatly enhanced their probabilities of advancing reform, and in the end, their aggregate accomplishments. In short, in these cases technocrats were integral actors in the process of institutional change, not just the beneficiaries.

Political economists increasingly have recognized institutional innovation as essential to providing policy “change teams” the insulation and leverage required to advance market policies (Canevi, 1994; Grindle, 1996; Grindle & Thomas, 1991; Haggard, 1994; Shirley, 1994; Waterbury, 1992), and the paradox of government actors “using the state to change policy in a less statist direction” (Kahler, 1990, p. 55). This paper addresses aspects of innovation not covered by prior contributions. The case studies suggest a need to re-examine the catalysts of innovation and refine the interpretation of its occurrence. Such efforts can help identify the innovation strategies most likely to yield significant reform gains, and the optimal organization of decision making—issues of critical importance that rarely attract systematic analysis (Haggard & Webb, 1993, p. 162).

These points will be demonstrated with reference to Mexico specifically, and Argentina more generally. Building upon the efforts of its predecessor, the government of Carlos Salinas (1988–94) achieved a remarkable reform record, privatizing a host of state-owned enterprises and deregulating dozens of economic sectors; by the early 1990s Mexico stood as Latin America’s leading privatizer and a “model reformer” applauded throughout international financial circles. In Argentina, meanwhile, the first administration of Carlos Menem (1989–95) pursued similar policies and realized similar results. To be sure, both presidents played important roles in these outcomes, but to a greater extent than the literature would predict, their technocratic subordinates did too. Often their actions transcended the instrumental (policy formulation) to include the *political* (persuasion, politicking, and tactical actions to secure institutional change). Thus, while Salinas and Menem remained important political actors they did not have the stage to themselves.

This paper examines three modes of institutional innovation that technocrats employed to advance market reforms. The first is rule- and procedure-changing behavior, which altered policy-making rules or procedures to reformers’ advantage. The second tactic is instrument-creating behavior, by which technocratic appointees constructed new bureaucratic entities designed expressly to advance particular policy initiatives. The third mode of innovation is strategizing behavior, whereby policy makers maximized the efficiency of resource expenditures required to secure procedural changes or create effective new policy instruments. Each of these tactics affected the technocrats’ influence over the reform process by changing the relative leverage that state actors (pro and con reform) could wield over the policy agenda, the organization of decision making, and consequently, the position reformers occupied in the bureaucratic matrix.

Because congressional support or opposition to reform initiatives can affect policy outcomes, the case selection provides an additional analytic benefit. Unlike Argentina, Mexico’s Congress was always subordinate to the executive during the Salinas era; this freed the president’s agents to seek institutional changes absent congressional constraint and concentrate on devising proposals calculated to win Salinas’s assent. By contrast, Menem’s agents labored under the shadow of a Congress able to check

executive actions, and whose consent to reform and institutional change could not easily be taken for granted. This distinction permits close assessment of the relative capacity technocrats had to pursue reform-conducive innovations, both in the absence and presence of congressional constraints.

2. OBSTACLES TO REFORM: THE INSTITUTIONAL CONTEXT

Advancing market reforms successfully is no mean feat, and throughout the 1980s and 1990s many governments pursued reform projects with little result (Bates & Krueger, 1993b, p. 4). The reasons are many: bureaucracies have their own interests (Allison, 1971); state managers of public enterprises resist career-ending divestitures (Glade, 1991); traditional statist parties that control Congress oppose market policy turnarounds (Corrales, 2000); and policy makers hold differing views on what reforms (if any) are needed, and how fast or far a reform program should go (Piñera, 1994).

Another factor which limits reform achievements is that policy makers operate within a web of politically consequential institutions and institutional relationships inside the state. By institutions, I refer to formal and informal patterns of governance, decision rules, standard operating procedures and ministerial mandates. By institutional relationships, I mean the arrangements based on institutions that constrain state actors, and structure their relations with one another (Hall, 1986; Steinmo *et al.*, 1992). Such institutions influence the probabilities of successful reform by structuring political interaction in ways that limit what some actors can do, and enable others to do things they otherwise could not.

Decision rules within the bureaucracy specify who can participate in the decision-making process and how collective choices are reached when legitimate participants disagree. Standard operating procedures pattern bureaucratic practices that affect both the distribution of resources actors enjoy (like information gathering and dissemination), and the value of those resources. Ministerial mandates assign state actors specific legal responsibilities and delineate those who can make authoritative policy decisions from those who cannot.

Like all institutions these arrangements privilege some actors over others, providing greater or fewer opportunities to influence

policy outcomes. Not all institutional contexts are equally conducive to advancing market reforms (Crosby, 1996), and especially in countries with long traditions of statist development, technocratic reformers often discover existing state structures, decision rules, and policy procedures are “stacked” against them. Given these impediments, success turns, in part, on erecting optimal institutional arrangements. This is a highly political task, and one the reform literature typically reserves to chief executives.

(a) *Institutional change and presidential initiatives*

For reasons easily grasped, studies of successful market reforms often stress the importance of chief executives in institutional change, over that of technocrats. Presidents not only select the economic policy team, but are in the best position to provide it support, political protection, and autonomy. By contrast, policy technocrats (state-employed economist/policy practitioners) are commonly viewed as executive instruments rather than discrete political actors (Bates, 1994, pp. 29–30); their status, training, and temperament ill-prepare them to master the political skills required to advance reform. While technocrats provide governments the capacity to craft sound policy programs, that capacity is realized only via strong executive support. Thus, Bates and Krueger (1993a, p. 463) write that “Economic technocrats become powerful...because *politicians choose to make them so and organize the political process in a way that enables them to exploit the technocrats’ informational advantages*” (emphasis added). Callaghy (1990, p. 263) opines that reformist executives “need to use, insulate and protect the technocratic staff,” in order to succeed; Waterbury (1992, p. 191), meanwhile, suggests “the crucial factor” behind the success of policy technocrats in Egypt, India, Mexico, and Turkey was “the public backing of the team by the head of state.”

As noted, presidentialist interpretations accurately capture the importance institutional change holds for efforts to advance reform. But, this position leaves a crucial theoretical question unanswered. How is it that presidents—equipped only with incomplete information—effectively superintend the bureaucracy, create optimal institutional environments, and prevent bureaucratic politics (Allison, 1971)

from derailing the reform process? Given that research repeatedly finds presidents were integral to effective institutional change, this is no small point.

A central goal of this essay is to resolve this tension and advance our understanding of the reform and innovation processes by stressing the under studied role technocrats played in changing institutional arrangements. The argument here is straight forward. Front line experience in interbureaucratic struggles gave technocrats a unique position to gather, “package,” and transmit to presidents the information needed to remedy institutional constraints; consequently, technocrats often developed the very remedies their presidents ultimately embraced. In short, this paper demonstrates how technocrats functioned both as executive agents *and* actors—a conclusion consistent with past findings of presidential importance, but one that refines our understanding of how institutional innovation actually occurred. To appreciate the stress laid on such innovation requires close delineation of its properties and links to successful policy change.

(b) *Institutional innovation*

Institutional innovation refers to the manipulation of institutional variables to one’s advantage. As shown in Table 1, it can be achieved in one of three ways: (i) rule-changing behavior, (ii) instrument-creating behavior, and (iii) strategizing behavior.

These tactics can change the position reformers occupy inside the bureaucracy and tip the balance of power decidedly in their favor. For example, where standard bureaucratic operating procedures act as counterweights against policy change and provide bureaucrats opportunities to reinterpret reform objectives to suit existing practices (Crosby, 1996), rule and procedural changes can shift the legal ju-

isdiction of a policy from one state actor to another, provide new legal/ministerial mandates to advance reforms, and enhance reformers’ autonomy from countervailing pressures. Since even “small changes in rules can bring about big changes in agendas” McDonald (1995, p. 131), rule-changing behavior is highly conducive to advancing reform programs inside the state. Similarly, where reforms can bog down when state organs grapple with new, unfamiliar tasks, or policy responsibilities are shared across agencies, instrument-creation concentrates decision making authority within single-purpose units. This tactic—rooted in the principles of conflict-displacement (Schattschneider, 1960, pp. 68–69)—can help organize conflict *out* of specific policy arenas and establish policy-making structures resistant to external meddling (Moe, 1990).¹

Finally, both rule-changing and instrument-creating behavior can help policy makers advance reform by altering the positions they occupy within the bureaucracy. Because state bureaucracies consist of a matrix of entities, they constitute multicomponent *systems* whose work is segmented vertically and horizontally by ministry, division, and department. The division of labor assigns each subunit its own tasks, and the output of these workflows is then reintegrated as policy via patterned interactions between agencies. Actors located at critical points of intersection within the bureaucratic matrix occupy strategic organizational space, or what organizational theorists call “network centrality” (Tichy & Fombrun, 1979). Policy makers that employ institutional innovation to create such positions can obtain significant leverage over the policy process. Nestled within a strategic niche, they are better positioned to acquire and control information and other resources, can influence the reintegration of agency workflows, and in some cases, even transform their positions into effective bureaucratic “veto points.”

Table 1. *The political effects of institutional innovation*

Modes of institutional innovation	Political effects
Rule-changing behavior	Alters policy procedures and organizational position in ways that enhance autonomy, agenda control, and ability to contest alternative policy proposals
Instrument-creating behavior	Centralizes decision making authority in single-purpose units; alters organizational position and enhances autonomy; displaces conflict over reform initiatives
Strategizing behavior	Alters institutional arrangements in ways that ensure future stream of preferred outcomes via most efficient expenditure of resources

Pursuing institutional innovation, however, is not cost free. Time, energy, political capital, and administrative capacities are all valuable resources, and how they are expended (more efficiently, or less so) has long-term implications. Policy makers can either change rules and create new instruments to capture short-term benefits, or devise these innovations such that they ensure a future flow of preferred outcomes.² The latter—which expends resources by the most efficient means to effect institutional innovation—constitutes strategizing behavior. For example, to deregulate the economy policy makers might defer a sector-by-sector, case-by-case approach (due to time costs), and instead, seek legislation requiring *all* regulations, existing and future, pass a cost-benefit threshold or be deleted. Similarly, to advance divestment expeditiously (and reduce the costs of political infighting or administration), they might restructure decision rules to restrict policy discussions solely to economic ministry personnel and exclude ministries that traditionally supervised public enterprise operations. Because strategizing behavior bolsters reformers' aggregate accomplishments without depleting their resource base, it maximizes the payoffs of institutional innovation. The more policy makers pursue this and other innovation tactics, the greater their leverage and the more likely they are to prevail in policy contests inside the state.

The following section examines the extent to which Mexico's technocratic reformers engaged in the behavior patterns above. It lays particular stress on two pillars of Salinas's economic modernization drive: privatization and deregulation.

3. MARKET REFORMS IN MEXICO

Historically, the Mexican government took an active, interventionist role in economic development. By 1982 the state owned 1,155 public enterprises (PEs) in sectors ranging from steel, aviation and mining, to commercial banking and telecommunications; many became highly inefficient, ran annual deficits, and by 1982, consumed nearly 12.7% of Mexico's gross domestic product in subsidies (Secretaría de Hacienda y Crédito Público, 1991; Aspe, 1993, p. 220). Public sector expansion created a dense network of vested interests inside the state, where careers, institutional prestige, and budget allocations were linked closely to PE

operations. When the 1982 debt crisis undercut Mexico's capacity to sustain statist development, the government sought relief, in part, via divestiture. This, in turn, sparked resistance from some state managers concerned over their employment, and from various state ministries who defended their corporations aggressively (Teichman, 1995).

(a) *Privatization*

Privatizing public enterprises is a complex, administratively intense process, with responsibilities often spread across actors and agencies (Guislain, 1997). Norms and procedures that govern the divestment process form an important part of the institutional context, and have profound effects on political outcomes. During the early years of Mexico's divestment program, the broad institutional context inside the bureaucracy worked against reformers; in fact, patterns of decision making actually favored privatization opponents. Most important were the norms used to determine which PEs would be divested and the standard operating procedures that structured the divestment process.

Under President Miguel de la Madrid (1982–88) each ministry responsible for a public enterprise (the sector ministry) could nominate a firm as a divestment candidate, based on one of five criteria. Divestment was justified if a PE: (i) duplicated the activities of another, (ii) failed to achieve its original goals, (iii) had fulfilled its original mandate, (iv) suffered serious financial or technical liabilities, or (v) was engaged in neither strategic nor priority activities.³ Once a ministry selected a candidate the nomination passed through layers of bureaucracy before reaching the president's desk. Upon the president's approval, the National Credit Society (NCS) administered the sale, after which, the company finally passed from the ministry's control to its new private owners. To evaluate and prepare a public enterprise for auction the NCS relied on company managers to provide detailed corporate financial information (Fondo de Cultura Económica, 1988).

These institutional arrangements affected the scope, pace, and success of divestment significantly. With five divestment criteria, ministries enjoyed broad discretion to select a divestment candidate; state managers retained control over (and could manipulate) vital corporate information; and PEs remained under a sector ministry's jurisdiction until a sale was con-

cluded. In short, policy procedures structured decision making in ways that made reformers dependent on potential opponents and placed the onus to privatize on those least likely to favor large-scale asset transfers.

Not surprisingly, few ministries offered to sell their "crown jewels" (Teichman, 1995); instead, they nominated firms that were the least attractive to potential buyers. Public enterprise managers foot-dragged divestment too, by exploiting the "bottom up" information flows policy procedures established. In some cases they could forestall a divestment for years simply by providing partial or faulty corporate information.⁴ In others, they engineered the sale of corporate "lemons"—firms whose material assets did not match the sales prospectus, had substantial undisclosed debts, or operated in gross violation of environmental statutes.⁵ Litigating purchase disputes after the fact or renegotiating the terms of sale taxed reformers' energies, slowing the divestment process even more. Besides these institutional constraints, splits among the president's economic team also hampered early privatization attempts (Córdoba, 1994). Thus, while on paper the De la Madrid administration nearly halved the number of PEs in the government's portfolio (see Table 2), most entities sold were small, nonmanufacturing enterprises; others disappeared via mergers, transfers to state governments, or closures (Vera Ferrer, 1991, p. 46).

Under the Salinas administration (1988–94), however, the sale of large-scale assets multi-

plied. One factor behind this outcome was Salinas's choice of an extremely cohesive economic team: Pedro Aspe at Finance (a holdover from De la Madrid), Jaime Serra at Commerce, and Ernesto Zedillo at Budget and Planning (Camp, 1990). Like the president himself, each bore the credentials of the technocrat—advanced degrees in economics from foreign, mainly Ivy League institutions—and each staffed his ministry with technocrats through the secondary and even tertiary levels. A more fundamental reason, however, was that after 1989, policy makers altered the institutional context of privatization policy radically. They made critical changes in candidate selection criteria, policy procedures, and administrative structures. Ministries lost much of their discretionary power, as did managers their monopoly of corporate information, and policy technocrats gained complete control over the divestment process.

From the outset of his administration Salinas stressed the goal of large-scale divestiture (Salinas de Gortari, 1989). With the exception of such strategic sectors as oil, electricity, and railroads, most public enterprises would be sold or liquidated. But an agenda this ambitious could not easily be carried out under the existing privatization policy framework, which to recap, gave ministries wide discretion to nominate divestment candidates, made reformers dependent on those least likely to favor divestiture, and provided potential opponents the resources (information, discretion) to adversely

Table 2. Mexican divestiture: the De la Madrid vs. Salinas governments

	No. of PEs in existence	Divestments concluded		Divestments in process	No. of PEs created	No. of PEs remaining
		Total ^a	Sold			
<i>The De la Madrid administration</i>						
1983	1,155	75	nd	32	10	1,090
1984	1,090	64	nd	7	18	1,044
1985	1,044	96	nd	23	7	955
1986	955	155	nd	75	7	807
1987	807	161	nd	49	15	661
1988	661	45	204 ^b	204	2	618
<i>The Salinas administration</i>						
1989	618	76	29	170	7	549
1990	549	139	61	138	8	418
1991	418	96	42	87	5	328
1992	328	66	23	53	8	270
1993	270	24	5	48	12	258
1994	258	21	1	37	15	252

Sources: Salinas de Gortari (1993) and Zedillo Ponce de León (1999).

^a Denotes PEs that were closed, merged, or transferred from the federal to state government.

^b Number of public enterprises privatized during 1982–88.

affect policy outcomes. Accordingly, the administration took steps to rewrite the rules governing privatization. First, the president narrowed the parameters of state proprietorship solely to those entities mandated by the Constitution.⁶ This eliminated four of the five prior divestment criteria and abolished the ministerial discretion that bedeviled divestiture in the past. Other measures soon followed.

The crucial moves came not from Salinas, but from Finance Minister Pedro Aspe, who proposed establishing new procedures to govern the privatization process, commonly termed *resectorization*. Under resectorization, once the ministerial signed off on a particular divestment proposal, the company would be “resectored” from its traditional ministry to Aspe’s ministry, Finance. This would give Finance sole legal jurisdiction over the enterprise, complete access to its financial information, and make Pedro Aspe its Chief Executive Officer with authority to hire managers amenable to privatization or fire corporate “foot draggers.” Salinas quickly embraced the initiative.

To complement resectorization Aspe also lobbied the president to create a new institutional subunit of full-time privatization specialists inside the Finance Ministry. Such restructuring offered two advantages. On the one hand, with a specialized unit Aspe could hand-pick talented analysts and centralize their work directly under his supervision; this would facilitate the sale of large, complicated firms such as Mexico’s public steelworks and fertilizer plants, the telephone company, and commercial banks without diverting his agency from its primary financial responsibilities. On the other hand, the presidential decree required to create a separate unit inside Finance would provide privatizers a firm legal mandate, shelter from bureaucratic pressures, and establish Aspe’s authority as Mexico’s chief privatizer.

By 1990, the lobbying campaign yielded a presidential decree establishing the Office of Privatization—a separate, autonomous operation inside of the Finance Ministry (Secretaría de Hacienda y Crédito Público, 1990). Along with resectorization, this institutional structure streamlined (and limited access to) the entire divestment process. The result of such rule-changing, instrument-creating, and strategizing behavior was more efficient procedures with a higher degree of technocratic control. These innovations paid quick dividends: with reform opponents marginalized, overt challenges to divestment inside the state virtually ceased, and

during 1990–93 Mexico privatized a battery of assets in sectors ranging from steel, chemicals and telecommunications, to food processing, tobacco, and fertilizers (Rogozinski, 1993). As explained below, by pursuing similar institutional innovations, the technocrats charged with deregulating the Mexican economy realized similarly impressive results.

(b) *Deregulation*

In most countries where statism prevailed, extensive regulation did, too (Edwards, 1995). Mexico was no exception. By 1982, 100% of imports required licenses and various regulatory regimes governed a swath of economic activities. “In everything from advanced telecommunications to traditional agriculture, from aquaculture to prices, extensive regulation was the norm” (Grindle, 1996, p. 83). Moreover, the aggregate body of regulations had grown increasingly complex and economically inefficient (De la Torre García, 1991). In December 1988, the Salinas administration launched an ambitious campaign to create simpler, more transparent regulatory regimes. Spearheaded by the Ministry of Commerce (SECOFI), the campaign was pushed by a small group of technocrats whose policy prescriptions conformed to the president’s modernization agenda and enjoyed the Commerce Minister’s unequivocal support. From the beginning they led a frontal assault on decades of regulatory practices.

Two aspects of the regulatory process, however, greatly complicated their efforts. First, Mexico’s legislation granted executive bureaucracies—not autonomous agencies or commissions—the broad statutory authority to promulgate regulations. This practice permitted all ministries to regulate operations relative to their sectoral jurisdiction (commerce, communications, agriculture, etc.). Second, the law required the Mexican president to sign each regulation before it acquired the force of law. This obliged ministries to propose new regulations directly to the Office of the Presidency where legal scholars reviewed the proposals prior to receiving the president’s signature. These procedures delineated each ministry’s responsibilities and established their legal equality before the president with respect to regulatory functions. Like the early procedures that governed divestiture, those governing regulatory policy provided reform proponents no particular advantage over agencies whose reg-

ulatory practices they hoped to change. The deregulation of Mexico's trucking sector illustrates the reform-constraining effects of the broader institutional context.

Based on decades-old legislation, the Ministry of Transportation (SCT) tightly regulated freight shipping fees and awarded route concessions that stipulated the number of trucks firms could use, the type of service they could offer, and the type of cargo permitted on each route.⁷ The law also allowed large concessionaires to control regional freight centers that supervised cargo loading, coordinated contracting services, and assigned cargo loads to truckers (hence, truckers could neither compete for customers nor could users select the carrier of their choice). In time, these regulations spawned oligopolistic "commercial coalitions" that controlled the entire transportation sector (Dávila & Enrique, 1991, p. 123), and generated underutilized capacity, empty backhauls, barriers to entry, and rent-seeking (Fernández, 1993; Martínez & Fárber, 1994).

For reasons imminently practical, freight transport became the deregulators' first target. Since trucks carried over 80% of all goods and consumed 90% of all the energy used in transportation (United States International Trade Commission, 1991, 3-2), the less efficient the sector, reformers reasoned, the more drag it exerted on the economy as a whole. In addition, the sheer magnitude of efficiency costs under the old system (nearly \$500 million per year) threatened economic recovery (*Excelsior*, 1990).

Originally, the SECOFI deregulation project was designed only as a *program*, not unlike many others the ministry ran.⁸ To oversee the enterprise Commerce Minister Serra recruited economist, Arturo Fernández, who in turn, recruited his own staff of technocrats—each personally approved by Serra.⁹ With his team assembled and strong presidential support, Fernández believed deregulation would hit the ground running. But almost immediately his team faced problems inside its own ministry: because Commerce found the idea of *de*-regulation out of step with its traditional responsibilities, policy makers struggled to establish their program's legitimacy.¹⁰

An even greater problem, however, lay in the institutions that governed regulatory policy making. With regulatory authority distributed across state ministries according to their sectoral jurisdiction, this arrangement afforded deregulators little real leverage over the policy

agenda. Consequently, when SECOFI's team first proposed scrapping existing transport regulations, Transportation officials simply dismissed the notion out of hand.¹¹ Case closed. This rebuff underscored the constraining influence of the broader institutional environment. Despite SECOFI's program (and Salinas's blessing), the SCT retained legal authority to regulate transport and was under no obligation to adopt reformers' proposals. Absent radical changes in the institutional context, reformers faced an uphill battle over freight transport. Worse still, because these same constraints threatened the deregulation of every sector under another ministry's jurisdiction, they jeopardized the linchpin connecting all aspects of Salinas's economic modernization program—from trade and competitiveness, to privatization and investment.

These realizations drove home three critical points.¹² First, successful deregulation required deep penetration of other ministries' operations; to succeed, therefore, the project had to be completely reorganized and transformed from a simple "program" into a separate division inside SECOFI. Second, this new division would need to be insulated from bureaucratic opponents and vested with sufficient legal authority and political clout to prevail in interbureaucratic policy disputes. Finally, all these changes required new legislation. Like privatization, it was the technocrats who saw their entire deregulation program imperiled by institutional constraints that first initiated the process of institutional change.

In late December, Fernández made his case for restructuring to Commerce Minister Serra, and in January 1989, Serra pitched the proposal to President Salinas. The result was a presidential decree promulgated in February 1989, which established the Office of Deregulation, or OD (*Diario Oficial*, 1989). The decree gave the OD a clear, single-theme mandate to analyze the operations of *any* economic sector and propose its deregulation directly to the president and his Economic Cabinet. This mandate put teeth into SECOFI's initiatives but did not alter the fundamental balance of power in regulatory affairs. That is, it gave SECOFI legal standing to initiate regulatory reform, but no means to ensure its proposals took precedence over those proffered by other ministries.

To augment his team's political clout Fernández then worked to change the institutional arrangements that governed the regula-

tory process through back channel dialogues with the Office of the Presidency. Led by technocrat José Córdoba,¹³ Salinas's Chief of Staff, the Office of the Presidency coordinated the work of specialized presidential cabinets (economic, social, agrarian), safeguarded the administration's policy agenda, and held *de-jure* review authority over all regulatory initiatives. Together, the two officials quietly (and informally) altered the regulatory policy-making procedures to SECOFI's advantage. Legally, the procedures remained unchanged; each ministry retained the right to formulate new regulations and submit them to the Presidency for review. But now the Presidency forwarded all non-SECOFI proposals to the Office of Deregulation where reformers subjected them to rigorous cost-benefit analysis. These subtle institutional changes proved enormously consequential. They transformed the OD from a weak, ineffective actor into the hub through which ministerial regulatory workflows passed. From this vantage point it could veto any regulatory proposals submitted by other ministries, and modify, approve, or reject virtually all changes in Mexico's regulatory regime.

From this point on, reform opponents' ability to resist deregulation declined sharply. To preempt complete freight transport deregulation, for example, the SCT offered its own "reform" initiative that gave the appearance of change without much substance.¹⁴ This tactic delayed reform, but ultimately, it went nowhere: the ministry submitted its proposal to the Office of the Presidency, which shuttled it back to the Office of Deregulation for review, and eventual rejection.¹⁵ Just six months after their initial defeat the reformers prevailed, and on July 6, 1989, a formal accord was signed which implemented the new regulatory regime (Secretaría de Comunicaciones y Transportes, 1989). Among other provisions, the accord eliminated barriers to entry and fixed tariffs, plus the noncompetitive aspects of regional freight centers.

Given that bureaucratic politics and institutional constraints nearly derailed freight deregulation, it is hard to overstate how significant the cumulative effects of instrument creation and procedural changes were to the eventual outcome. Creating the Office of Deregulation secured reformers a legal mandate to propose reforms and shelter from countervailing pressures. But without further rule modifications, SECOFI's deregulators stood little chance of success; at best an OD-SCT match up would

have produced gridlock. The informal changes in policy procedures, however, altered the OD's organizational position inside the state dramatically, and transformed the office into the nexus through which all ministerial regulatory initiatives passed—a near-perfect example of the "network centrality" detailed earlier. In the end, this proved decisive. As one high SCT official candidly explained, of all the parties involved the Ministry of Transportation was "least interested" in deregulation: "If things had been left to themselves the SCT would *never* have changed the regulatory framework of the freight sector" (emphasis added).¹⁶

Commercial trucking was the first of many deregulation initiatives that sparked political contests between SECOFI's technocrats and other ministries. Despite this opposition the deregulation campaign proved extraordinarily successful. By 1993, SECOFI had deregulated nearly 50 sectors including shipping, foreign investment, banking, insurance, packaging, aviation, fisheries, petrochemicals, and mining (Martínez & Fárber, 1994). One of the principal reasons for this outcome is that after going to the mat over freight transport, the Fernández team determined to pursue its objectives, in part, through what I have called strategizing behavior. This entailed advancing deregulation through innovations that minimized resource expenditures (time, energy, political capital, administrative capacities, and technical expertise), and ensured a stream of preferred policy outcomes in the future.

In late 1991 the OD submitted a comprehensive deregulation proposal to Salinas's Economic Cabinet which required that federal ministries subject their existing regulations (and all future regulatory proposals) to cost-benefit analysis. The goal here was to complement the OD's sector-by-sector reform approach by establishing uniform procedures and rational standards to govern the promulgation of future regulations, and the maintenance of current ones. In January 1992, President Salinas issued a decree which formalized SECOFI's proposal (*Diario Oficial*, 1992). State ministries had 18 months to catalogue and analyze their regulations, then forward this data to the OD for review. Thereafter, any regulation whose costs exceeded its benefits (or which a ministry had not assessed on this basis) would be deleted. As with prior innovations, the new rules proved politically consequential. They helped conserve SECOFI's resource expenditures, kept policy

reform on track, and the scope and pace of regulatory reform expanded accordingly.

(c) *Explaining outcomes*

In both privatization and deregulation, Mexico established an impressive record of accomplishments that standard views on the politics of reform cannot fully explain. One line of argument, for example, would suggest these outcomes were products mainly of presidential leadership and the effective, insulated “change team” Salinas assembled. In some sense, of course, this is true: Salinas set the tone and content of administration policy, selected the policy makers charged with advancing it, and strongly supported divestment and deregulation efforts. These actions helped minimize infighting among team members, produced greater policy coherency, and bolstered the government’s capacity to devise effective reform initiatives. But as we have seen, given the initial institutional arrangements reformers faced, simply having the capacity to make sound policies did not ensure their successful adoption and implementation.

A second perspective, therefore, might stress the president’s role in addressing the impediments bureaucratic politics and institutional constraints posed to reform, by devising the innovations required to overcome them. But this explanation also is unsatisfying. As reflected in Table 3, while the Mexican president endorsed these innovations, he did not *initiate* the vast majority. To ascribe their emergence solely to presidential leadership would ignore the information procurement role technocrats served and inaccurately equate Salinas’s own individual agency with that of his subordinates.

This is not to say Salinas was a passive personality, content merely to appoint, delegate authority to, and support his policy team. He also remained receptive to his team’s proposals regarding institutional change. These factors clearly mattered. Nevertheless, it bears stressing that the technocrats’ initiatives mattered too. Their close proximity to the bureaucratic policy arena afforded clarity of insight as to where problems lay, and consequently, how they might be overcome. In accepting his subordinates’ political advice, of course, Salinas acted in ways presidents often do. The noteworthy point, however, is that research on market reforms rarely associates such overt political strategizing with technocrats. By seizing the initiative to alter procedures, bureaucratic

structures, and decision making arrangements, *then* gaining the president’s support, reformers enhanced their capacity to prevail in policy struggles inside the state. This tactic proved to be a major factor in Mexico’s overall reform achievements.

4. GENERALIZING THE ARGUMENT: ARGENTINE DIVESTITURE

How unique is Mexico’s experience among market experiments in developing countries? To what extent can institutional innovation, particularly innovations promoted by policy technocrats, help explain reform dynamics beyond the Mexican context? To gauge the generalizability of these factors, of course, requires they be tested against a larger case selection—an endeavor beyond this paper’s scope. But, a brief review of the Argentine divestment experience suggests the argument presented here has broader application. The Argentine case carries particular weight precisely because the political context differed sharply from Mexico. In Mexico, congressional subservience to the executive gave Salinas’s technocrats an unusual degree of freedom. In Argentina, however, executive agents labored under the constraints of a legislature far more assertive. Because this situation better reflects realities in countries that lack Mexico’s peculiar political properties under Salinas, it affords greater insight into the general potential technocrats have to influence policy outcomes via political means.

As in Mexico, successive Argentine governments embraced statist development to various degrees, creating a host of public enterprises and numerous bureaucracies to administer public service provision (Cortés & Marshall, 1993; De la Balze, 1995). The transition to democracy in 1983 coincided with economic turmoil that helped spark privatization programs by Argentina’s first two civilian governments. The outcome of these initiatives, however, diverged sharply. Under Raúl Alfonsín (1983–88) the government managed to sell only four of 305 PEs (González Fraga, 1991). By contrast, during the first administration of Carlos Menem (1988–95), the government privatized more than 121 public firms; many were among the largest, most politically important PEs in the state’s portfolio. The argument presented here sheds light on these outcomes.

First launched in 1985 as part of the Austral Plan of economic stabilization (Frenkel, 1987),

Table 3. *Institutional innovations: initiators, supporters, political effects*

Innovation	Mode of innovation	Initiator	Supporter	Political effect
<i>Privatization</i>				
Privatization criteria	Rule-changing	President		Eliminated ministries' discretion to nominate divestment candidates
Resectorization	Rule-changing, Strategizing	Finance Minister	President	Transferred key resources (PE information and control) from divestment opponents to proponents
Office of Privatization	Instrument-creation	Finance Minister	President	Provided single-theme legal mandate; centralized decision making; marginalized reform opponents
<i>Deregulation</i>				
Office of Deregulation	Instrument-creation	Director of OD	Commerce Minister, President	Provided greater autonomy, a single-theme legal mandate
Informal "review" procedures	Rule-changing	Director of OD	Commerce Minister, President's Chief of Staff (Dir., Office of the Presidency), President	Provided effective agenda control via bureaucratic "veto," and enhanced position within the bureaucracy (network centrality)
Cost/benefit standards and procedures	Strategizing	Director of OD	Commerce Minister, President	Ensured a flow of preferred policy outcomes via most efficient expenditure of resources

Alfonsín's privatization project quickly ran into trouble. Bureaucratic jealousies and power struggles, jurisdictional overlap, organizational weakness, and a deficient legal framework all impeded progress (Arango de Maglio, 1990; González Fraga, 1991). Many of these problems arose because the institutions governing the privatization process failed to clarify such basic points as who could determine which PEs to divest (Congress? the president?) or what the appropriate sale procedures should be. Consequently, as in Mexico, this left the burden of privatization on actors with little incentive to divest—the ministries that supervised PE operations—and resistance from these quarters did, in fact, quash proposed sales (Machinea, 1990). Along with opposition from Congress, labor, and even the private sector (Corrales, 1998), these institutional factors virtually doomed Alfonsín's program from the start.

One of Menem's first acts upon winning the presidency in 1988 was to push legislation through Congress that transformed the legal framework privatization and policy procedures governing divestment. The law of State Reform spelled out the firms subject to divestment, and granted the president sweeping authority to restructure, merge or privatize them; the Economic Emergency Law, meanwhile, empowered the president to suspend the firms' subsidization and revamp their management teams (World Bank, 1993, p. 23). The authority to replace corporate management was particularly important in that, like Mexican "resectorization," it helped solve the problem of passive resistance by ministries and state managers. Menem's innovations quickly proved more conducive to reform than the arrangements in force under Alfonsín, and during 1990–91 Menem's government managed to privatize 21 PEs, five times as many as its predecessor (Inter-American Development Bank, 1996).

Menem's were only one set of innovations that facilitated divestment, however, and their net effects were not problem-free. While the new legal framework gave the executive wide leeway to privatize, it neither clarified overall responsibilities for divestment inside the executive branch itself, nor established consistent norms and procedures to govern divestitures (Pablo Saba & Manzetti, 1997). Absent these, internal squabbles and power struggles divided the cabinet (particularly the ministries of Economy and Public Works), and diminished the reforms' momentum (Manzetti, 1993). Moreover, partly because executive agencies

lacked clear lines of authority, Menem pushed reform unilaterally, and often by decrees that cut Congress out of the process (Ferreira Rubio & Goretti, 1998). This tactic provided short-term gains, but ultimately, strained executive/congressional relations to the point it imperiled Menem's entire privatization project.¹⁷ By 1990 the relationship was abysmal and a backlog of proposed divestments remained in the pipeline (in steel, electricity, gas, and shipping).

This situation improved considerably with the appointment of Domingo Cavallo as Economy Minister in January 1991. Cavallo (Ph.D. Economics, Harvard) quickly proved to be more than an apolitical technocrat. After recruiting his own "change team" and packing his ministry with technically skilled analysts, he engineered a second set of innovations by first completing the merger of the Ministry of Public Works (which traditionally supervised PE operations) with his own agency, and then creating a special privatization subunit inside the Economy Ministry.¹⁸ These actions enhanced his team's overall autonomy, clarified lines of authority, standardized and streamlined divestment procedures, minimized the infighting that characterized Menem's first two years, and concentrated authority directly under Cavallo's control (Teichman, 1997, p. 47).

Finally, to repair congressional/executive relations Cavallo abandoned Menem's unilateral strategy and brokered a shared decision-making agreement that gave Congress veto rights over any subsequent divestment initiative (Corrales, 1997). Through laborious consultations he nurtured that relationship by dispatching his closest advisors to meet with Congress (and especially skeptical Peronist legislators) on specific divestments and other reform proposals (Margheritis, 1997, p. 176). By bringing Congress into the decision-making process the "Cavallo arrangement" transformed an important opponent of change into a stakeholder in the reform process. This helped protect divestment from saboteurs inside the state, and with congressional opposition in decline, procedures clarified, and policy authority centralized, privatization snowballed: the sell off included virtually all entities in sectors ranging from oil, gas, water and electricity, to agriculture and grain, to steel, shipping and railroads, to finance and social security (Instituto Nacional de Estadísticas y Censos, 1997).

Although both Menem and Cavallo orchestrated important reform-conducive innova-

tions, the deeper significance of Cavallo's should not be minimized. Menem's innovations and formal rule changes concentrated divestment authority within the executive branch, but left critical issues of role-definition undetermined. The resulting paradox of centralized executive authority, but decentralized, ambiguous responsibilities within the executive branch itself bred conflict and confusion. The innovations Cavallo pushed were designed expressly to solve these problems; thus, where Menem's measures actually structured conflict into the executive branch, Cavallo's initiatives sought to structure it out. These changes, coupled with the shared decision-making process with Congress facilitated a more robust divestment campaign, and during 1992-94 the number of privatizations grew five-fold over 1990-91 (Table 4).

The Argentine case supports three propositions at the heart of this study. Like Mexico, it confirms that institutional change can powerfully affect reform outcomes; and again, like Mexico, it demonstrates that policy technocrats can play critical (and highly political) roles in bringing such changes about. Unlike Mexico, however, it also reveals that technocrats can perform these functions even in instances where legislatures impose real constraints on executive action.

5. CONCLUSION

Studies of first-wave reforms stress that governments which revise institutional arrangements and state agencies significantly are able to implement new policy more successfully than those which do not. This scholarship has advanced our understanding of the reform process considerably. But where most accounts of innovation privilege presidents as the architects of change, this paper highlights the critical role that technocrats can play, both in identifying the institutional impediments to reform, and in formulating the innovation strategies that presidents embrace.

The evidence presented suggests a crucial area where the theoretical underpinnings of institutional innovation remain under developed. Presidentialist interpretations implicitly invest executives with a farsightedness few individuals facing imperfect information possess; consequently, they cannot fully account for how leaders acquire the information required to identify and remedy institutional constraints. This study provides some purchase on this point by stressing the role of technocrats as information gatherers, information conduits, and "packagers" of remedial action. In so doing, it affirms prior research findings of presidential importance, yet fills an important theoretical gap in the literature.

This analysis holds several other implications for the study of market reforms and innovation. First, it cautions against the tendency to view executive initiative as the principal catalyst of institutional change. In Argentina and Mexico, presidents did spearhead some important innovations; but many others sprang directly from their technocratic subordinates who engaged in aggressive rule-changing, instrument-creating, and strategizing behavior. Second, its focus on technocrats as political actors helps clarify how the restructuring of decision making affects reform outcomes. As Haggard and Webb (1993, p. 162) note, this is an important, but under studied aspect of policy reform. Finally, by disaggregating innovation into distinct modes it aids our understanding of the distinct gains specific innovation tactics can yield.

This paper's central contribution to reform analysis, however, is a more comprehensive view of how effective innovation occurs. Rather than an executive-driven process whereby presidents assemble, empower, then insulate (via innovation) a cohesive technocratic policy team, it documents a process in which innovation ensues through the mutual dependence of presidents and technocrats: the latter are empowered and protected by the former, on whom they rely to gather information and help formulate reform conducive institutional change.

Table 4. *The pace and scope of Argentine privatizations: pre- and post-cavallo*

	1990	1991	1992	1993	1994
Number of sales	11	10	39	37	24
Revenues (US\$mn.)	3,841	2,092	5,567	47,732	890
Revenues as % of GNP	1.94	0.93	2.23	1.75	0.30
Revenues as % of government spending	12.43	5.31	11.89	9.78	1.77

Source: Inter-American Development Bank (1996).

Of course, not all technocrats exhibit the caliber of political activity of their Mexican and Argentine counterparts; some lack the interest, ability, or their president's confidence to wage the political struggles required to change the institutional environment. Still, the reality of presidential/technocratic interdependence suggests we should expect episodes of significant innovation beyond these cases to display similar dynamics.

This analysis also invites further research on the specific modes of innovation described above. In Mexico, for example, where strategizing behavior helped ensure complete implementation of large-scale deregulation and privatization programs, policy makers stressed long-term, as opposed to short-term gains. That is, they displayed rather long time horizons. But exactly why technocrats or the president who empowered them would exhibit this property is somewhat puzzling since technocrats serve at the pleasure of their benefactors, who typically harbor short time horizons. What the evidence suggests, however, is that Mexican technocrats *learned* the value of institutional change through experience (e.g., Arturo Fernández through his near-debacle with the SCT, Pedro Aspe as budget minister during De la Madrid's problem-plagued divestment drive) and proposed institutional remedies accordingly—a dynamic whose further investigation can yield real world payoffs. Since reform programs announced but not implemented in timely fashion suffer severe credibility problems, research that identifies means to shorten the learning curve or lengthen time horizons promises very practical dividends.

Finally, this study holds implications for what some call “second generation” reforms, that is, market-completing, equity-oriented, and institution-building initiatives designed to ensure competitive markets, reduce inequality,

and stimulate the accumulation of human capital required for sustained prosperity (Burki & Perry, 1998; Graham & Naim, 1998; Grindle, 1997; Naim, 1995; Pastor & Wise, 1999; World Bank, 1998). More complex than their first wave counterparts (Birdsall *et al.*, 1998), these initiatives involve revising fundamental rules and practices whose scope encompasses national and subnational government institutions, the private sector, and broader society (Grindle, 1997, p. 19; Jacobs, 1999). A recent World Bank report (1997, p. 15) suggests states that fail to pursue such measures risk “political and social unrest and, in some cases, disintegration exacting a tremendous toll in stability, productive capacity, and human life.” Yet these same initiatives pose new challenges that impede swift progress.¹⁹

Many advances, however, will entail some application of the rule-changing and instrument-creating strategies detailed here. Measures to promote good governance through bureaucratic, civil service, and judicial reform are likely to require rule changes regarding appointment, promotion, salary, case selection, and judges' tenure. Similarly, efforts to sustain newly marketized economies will likely involve creating new instruments—i.e., independent central banks, currency boards, anti-monopoly commissions, and financial “watch dog” agencies (Boylan, 2001; Levy & del Villar, 1994; Starr, 1992). Policy makers bent on undertaking second generation reforms face obstacles, but may benefit from the innovation tactics examined here. To exploit past lessons fully, however, will require greater understanding of these tactics and the factors conducive to their success. Toward these ends, careful reviews of first wave reforms that trace the reconstruction of institutional environments and incorporate technocratic actors more directly into their analysis should prove fruitful.

NOTES

1. Schattschneider's concept of conflict-displacement bears powerfully on policy reform dynamics: “All politics deals with the displacement of conflicts... [And] all forms of political organization have a bias in favor of the exploitation of some kinds of conflict and the suppression of others...Some issues are organized into politics while others are organized out” (cf. Schattschneider, 1960, pp. 68–69). Complementing this principle is Moe's notions regarding the politics of

structural choice, whereby actors seek to safeguard their preferred policies from those with opposing preferences by crafting bureaucratic structures and policy rules that “insulate their favored agencies and programs” (cf. Moe, 1990, p. 228).

2. Strategizing behavior is analogous to the theory of capital put forth by Austrian economist, Eugen von Böhm-Bawerk, who believed “roundabout” production

methods were more efficient than direct ones (why catch one fish at a time using your hands when you can catch a whole school by constructing a net?). Thus, Bömbawerk argued: “That roundabout methods [of production] lead to greater results than direct methods is one of the most important and fundamental propositions in the whole theory of production.” Quoted in Blaug (1979, p. 526).

3. The 1917 Constitution reserved “strategic” economic sectors solely for the state. These include coining money, printing currency, postal services, satellite communications, oil, hydrocarbons and petrochemicals, and railroads. The Constitution also permits government participation in state-defined “priority” sectors like steel, mining, and aviation.

4. Author’s interview. Mexico City, July 21, 1992.

5. Author’s interview. Mexico City, July 29, 1993.

6. Again, these operations included coining money, printing currency, postal services, satellite communications, oil, hydrocarbons and petrochemicals, and railroads.

7. See *Ley y códigos de México* (1983). For general discussions of Mexico’s freight sector and its deregulation see De Buen and Antún (1989), Fernández (1993), Martínez and Fárber (1994, pp. 15–46).

8. This project was known as the Program of Economic Deregulation.

9. Fernández held an economics Ph.D. from Chicago State University and had served as Director of Economics at the prestigious Autonomous Technological Institute of Mexico. His staff included economists, policy analysts, and attorneys, some trained at Harvard’s Kennedy School of Government.

10. For example, as late as January 1989 more than 500 SECOFI personnel were still involved in approving the import of foreign technologies on a case-by-case basis. Author’s interviews. Mexico City, July 2, 1992, and August 3, 1992.

11. Author’s interview. Mexico City, August 3, 1992.

12. Despite early setbacks suffered in 1988–89, given their subsequent success SECOFI’s deregulators were happy to discuss the highs and lows of their experience by the early 1990s. Author’s interviews. Mexico City, July 2, 1992; August 3, 1992.

13. During 1982–83, and again from 1985–87, Córdoba was Director of Economic and Social Policy at the Ministry of Budget and Planning. And like most of the president’s inner camp he bore the credentials of the technocrat, i.e., advanced economics training at a prestigious foreign institution (Stanford University).

14. Basically, the SCT proposed to reconstitute the committees that awarded transport concessions to permit SECOFI input into the process. But since the SCT and established concession holders were already committee members (and neither preferred to lower barriers to entry), this scheme would almost certainly preclude significant change.

15. The Office of the Presidency took pains to conceal its “tilt” toward SECOFI and did not involve itself directly in these inter-agency negotiations. Its main function was that of a conduit; it received the SCT’s counterproposals according to the law, then recirculated them to the OD for review.

16. Author’s interview. Mexico City, July 28, 1993.

17. The president’s unilateralism sparked a congressional backlash that invited close scrutiny of PE auctions and exposed conspicuous irregularities in the divestment process. The disclosure of irregularities, in turn, fueled corruption charges that tarnished the government’s credibility and slowed the pace of divestment overall. To keep divestiture on track Menem relied ever more on unilateral tactics. He concentrated more power within the presidency, “packed” the Supreme Court with sympathetic appointees, and weakened other state entities that might obstruct the reforms. See Larkins (1998), Blake (1998), González Arzac (1990).

18. In October 1991 Cavallo designated Horacio Álvarez Rivero as Undersecretary for Privatizations. See “Impulso a la privatización,” (*Clarín*, 1991, p. 17).

19. Whereas first-wave reformers often fought battles inside the state (engaging a limited number of actors), second generation reformers confront a larger political arena and wider range of actors. Reforming large bureaucracies (education, health care) and retraining their personnel to ensure better service delivery also takes longer than decreeing deregulation or privatization measures. Moreover, because second generation reforms generate highly diffuse benefits, there is less opportunity to forge supporting political coalitions of clear, immediate policy “winners.” Whereas first-wave reformers implemented new policies largely by concentrating power inside the executive and insulating decision

makers, second generation reforms often require power to be redistributed away from the executive (as in decentralization and civil service professionalization); thus successful implementation requires close coordina-

tion among actors beyond easy executive control. Finally, second generation reformers lack a proven template or "model" to guide their actions (Behrman & Rondinelli, 2000, p. 96).

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