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The debate over rapid growth on the periphery has been dominated by studies of outward v. inward models of industrial development. Comparative studies have tended to focus on East Asia for examples of high growth based on outward development. By contrast, Latin America--principally Mexico and Brazil--have typically provided examples of low growth based on an inward development strategy.[1] Aside from an outward-inward economic orientation, explanations for these outcomes often stressed two more variables. One factor emphasized the role of state institutions in industrial policy, with high growth requiring an active, interventionist state. In addition to this condition, analysts argued that high growth also depended on close collaboration between bureaucrats and capitalists.[2]

This paper argues that the impressive performance of the Chilean economy since 1986 suggests an alternative route to rapid, sustained, economic growth on the periphery. Since the mid-1970s Chile has followed an outward-oriented economic strategy based on the development of comparative advantage in extractive industries--with substantial participation of foreign investment--and the creation of agile private capital markets and services.[3] Given Chile's focus on markets rather than state intervention and industrial policy, the appellation "liberal growth state" perhaps best describes the model. Chile's liberal growth state, however, shares a fundamental characteristic with the East Asian "developmental state": it too possesses a system of close collaboration between government and capitalists.

Given this central commonality, understanding the principal characteristics of close collaboration in the Chilean case seems crucial for countries attempting to emulate the

Chilean model, such as Venezuela. This paper, then, compares high growth Chile to low growth Venezuela in order to provide partial answers to the following questions. Which forms of collaboration are functional to high economic growth and which are not? What factors are important in their formation? Why does collaboration facilitate growth? Taking each question in turn, the paper concentrates on the institutional, coalitional, and international conditions that seem to influence effective v. ineffective collaboration. It then compares Venezuela's restructuring project to Chile's in order to explore the hypothesis that the process of economic adjustment itself may encourage "right" forms of collaboration. A concluding section reflects upon the similarities and differences between the East Asian developmental state and the Chilean liberal growth state. Due to space constraints, the economic structures of Chile and Venezuela are not discussed in any detail; although the paper does examine levels of investment and rates of aggregate economic growth in order to show the relative success of their respective economic development strategies.

THE IMPACT OF COLLABORATION ON INVESTMENT AND GROWTH

If collaboration between bureaucrats and capitalists has an impact on investment, the first question to consider is: which forms of collaboration stimulate high rates of investment and economic growth, and which ones inhibit such outcomes? This question requires an examination of the characteristics of the state and large-scale capital in established systems. In this rather static context, the Chilean and Venezuelan cases suggest that institutional factors are more important than social coalitions, although the latter seem necessary as well.

The following sections argue that the Chilean and Venezuelan cases suggest that effective collaboration demands--among other factors--the interface of a centralized state apparatus with centralized business associations capable of aggregating the interests of large-scale capital. Aside from institutions, the latter characteristic also requires the formation of a dominant capitalist policy coalition, one in which major capitalists agree on basic economic policy goals--the general framework within which sectoral peak associations then make their specific demands. These institutional and social coalitional conditions facilitate the productive channeling of investment in accord with the economic strategy being pursued. Moreover, the contrast between the two countries also shows that collaboration works best in the presence of three additional characteristics. First, opportunities for rent-seeking and corruption diminish when the price system rather than discretionary authority allocates most resources. Second, collaboration is enhanced when policymakers and the centralized business peak associations have open and fluid systems of communication between them in both the formulation and implementation stages of the policymaking process, although not necessarily in agenda setting. Third, collaboration works when policymakers and business peak associations negotiate on the basis of shared technical criteria.

Business-State Networks, Investment, and Economic Growth in Chile, 1975-1992

Although Chile has enjoyed sustained rapid economic growth since 1986, an examination of three policy periods over two distinct political regimes--authoritarianism and democracy--shows that some forms of collaboration between bureaucrats and capitalists were more conducive to productive investment and sustained high GDP growth than others. The following sections on Chile show that too much state autonomy in conjunction with a very narrow group of capitalists can lead to damaging policies. By contrast a relatively less autonomous but centralized state, in conjunction with a fluid system of communication between it and centralized peak associations, induces productive investment both under authoritarianism and in democracy.[4]

Business-State Networks under Radical Neoliberalism, 1975-1982

After the overthrow of socialist Salvador Allende in 1973, Chile's military government implemented a neoclassical economic restructuring program in which policymakers replaced the instruments of state intervention with the market. These policymakers believed that markets allocated resources far more efficiently than bureaucrats, and that markets disciplined economic agents to become more productive. They also assumed that neutral, across-the-board policy instruments worked better than industrial policy and discretionary state powers.[5] This neoliberal economic restructuring took place over three distinct policy periods in authoritarian Chile: gradual, radical, and pragmatic.[6] Due to space constraints the following sections only examine the latter two, and then analyze continuities in the system of collaboration in the newly installed democratic regime.

Between 1975 and 1982, Chile experimented with radical neoliberal policies in the construction of a liberal economy and society. Those policies included draconian economic stabilization programs (shock therapy) and the rapid, thorough liberalization of capital markets, prices, and trade, with little regard for their effects on industrial and agricultural sectors that had difficulty adjusting. The introduction of a fixed exchange rate in 1979 became the center piece of a system of automatic economic adjustment, after which the top policymakers believed that their main role would be to act as gatekeepers against interest groups that wanted to change the rules of the game.[7] Market logic also informed social policy in the new labor code, and the privatization of health insurance and pensions.[8]

Economic performance until 1979 was not outstanding. Investment rates as a proportion of GDP remained relatively low. Economic recovery was uneven in its sectorial distribution as businessmen and landowners struggled to adjust to the imperatives of Chile's comparative advantages. After 1979, in a period of high international liquidity, the fixed exchange rate (which made the dollar very cheap) along with rules that stimulated dollar indebtedness, encouraged financial speculation over productive investment. For a brief period Chile's economy boomed. In the final analysis, however, its unregulated and immature markets collapsed in 1982. A deep economic depression engulfed the nation as GDP shrank 14% in one year, the financial system collapsed, the largest conglomerates were broken up as their holding companies went under, and unemployment climbed to 25% of the work force and eventually to over 30%.[9]

A substantial literature covers the economic reasons for this economic debacle. It focuses heavily on mistakes in the use of specific policy instruments. However, the specific characteristics of the system of collaboration between government policymakers and top capitalists also affected the outcome. The evidence suggests that damaging policies may result when a highly autonomous state over-insulates ideologically rigid technocrats with organic links to a narrow range of business interests operating outside the confines of business peak associations. These characteristics can lead to harmful policies; policies too skewed for healthy economic growth, and that, in Chile at least, ended in economic disaster. The contrast to investment and growth patterns in the following policy period, within the same autonomous state but with a different system of collaboration between business and policymakers, is instructive: investment as a percentage of GDP increased steadily, and the bulk of it was in productive enterprises rather than financial intermediation.

What were the characteristics of the system of collaboration between the public and private sectors between 1975 and 1982, and how did it contribute to economic disaster? To begin with, a highly autonomous state--Pinochet's system of one man rule--insulated key policymakers from virtually all pressure groups.[10] It also concentrated economic decision making in government financial institutions: principally in the ministry of finance, and the Central Bank, thus reducing points of access for business interest groups. The characteristics of the economic policymakers themselves were also significant. They were not elite career bureaucrats in a meritocratic system as they tend to be in the more successful dirigiste or developmental states. Instead, they were a cohesive team of highly ideological technocrats from civil society schooled in neoclassical economics--the so called Chicago boys because many had studied at the University of Chicago in the 1960s.[11] Given their training, they possessed a distinctive and rigid vision of policy goals and instruments. In the context of a highly autonomous state, this textbook, inflexible, ideological approach led to economic restructuring policies that showed no mercy for threatened economic sectors, and that emphasized financial intermediation over investment in production.[12]

Many of the key Chicago boys had linkages to a narrow range of internationalist conglomerates that tended to concentrate their holdings in financial intermediation, companies that were internationally competitive, and trade.[13] Key economic ministries and institutions, such as finance (top of the hierarchy), economy, the Central Bank, and the budget office were headed by men who had close ties to the Cruzat-Larraín, BHC, and Edwards conglomerates.[14] These linkages gave the top directors of these internationalist conglomerates--especially Cruzat-Larraín--privileged access to policy makers. That access allowed them to discuss policy reforms with the policy makers. According to one government official of the period, "The directors of privileged conglomerates participated with increasing frequency in key policy meetings, and that clique eventually froze out all opposition to their views."[15] In short the directors of those internationalist conglomerates participated in setting the policy agenda and in policy formulation.

This relationship reinforced the ultimately damaging tendencies of economic policies during this period. The privileged access of conglomerate executives in the policy formulation stage helped them to play a vital role in policy implementation as well. Their aggressive strategy of corporate expansion at the expense of more traditional business groups promoted the rapid growth of economic sectors in which Chile had comparative advantages. Some also spent considerable sums rationalizing the manufacturing enterprises. Ultimately, however, their activities were damaging because they based their expansion on highly leveraged buy outs, and because they emphasized profiting from financial intermediation over investment in production. That worked as long as there were no major shrinkages in international liquidity and as long as international interest rates remained reasonably low.[16] When those conditions changed, economic disaster struck Chile.

Business-State Networks under Pragmatic Neoliberalism, 1983-1988

In the final analysis, Chile's economy did not prosper in the context of a highly autonomous state coupled with a small cohesive group of inexperienced ideological technocrats drawn from civil society, and a narrow network of contacts between them and the executives of conglomerates in which they had been employed or linked to. Beginning in 1984, Chile's economy began to recover under a much more flexible approach to the construction of a liberal economy, one that Chileans dubbed "pragmatic neoliberalism." Policymakers in the financial institutions still preferred neutral policy instruments. But they acknowledged that the state also had a duty to intervene in markets, particularly to stabilize prices and boost domestic production, albeit with the most market-friendly instruments available. Thus, the government saw to it that real exchange rates remained high, that interest rates were reasonable, that agricultural and mining activities were protected by price floors, that manufacturers received protection from unfair external competition as well as incentives to export.[17]

Since state structure remained virtually the same, this second policy period highlights the point that a different system of collaboration between capitalists and policymakers can have a positive impact on investment and economic growth in a developing, liberal economy. With respect to the state, the system of collaboration featured a mixture of experienced, well trained career bureaucrats in financial ministries. These government agencies still stood at the apex of the hierarchy of economic bureaus. Moreover, between 1985 and 1988, top economic policymakers (ministers of finance and central bankers) were drawn from the ranks of experienced, technocratic, flexible, civil service officers. As in the previous policy period, they set general policy guidelines, which continued to emphasize economic liberalism. Beneath them, however, prominent businessmen headed the sectoral ministries (economy for industry and commerce, agriculture, mining, and public works). Their economic interests suggest that they were carefully chosen for possessing a mixture of international and domestic market oriented economic interests. Thus, it was unlikely that they would adopt policies that zealously pursued one activity to the exclusion of other. Moreover, those ministers were not so closely linked to specific conglomerates.

The ministers maintained fluid channels of communication with cohesive and highly representative business peak associations at two levels. First, the umbrella organization of large-scale business associations (the Confederation for Production and Commerce, CPC) routinely discussed exchange rate, interest rate, and general monetary policy with the minister of finance and the central bankers. According to Jorge Fontaine, president of the CPC in the mid-1980s, "We had excellent access to ministers, even the president himself. The ministers were much more receptive to our point of view once the Chicago boys were no longer in charge."[18] Second, sector-specific peak associations participated in formulation and implementation stages of the policy process in close contact with the ministries in charge of their sector. In the words of the director of studies of the Chilean Construction Chamber: "As a condition of accepting the ministry of finance, Modesto Collados demanded that he have a free hand in the implementation of the triennial plan that he had drawn up when he was president of the Chamber."[19] At both the general and sector specific level, then, the public and private sectors for the most part negotiated on the basis of technical criteria rather than personal favors, clientelism, or political threats.

This new system of collaboration contributed to the adoption of policy instruments that facilitated economic recovery from the 1982-83 debacle. That recovery began in 1984 and became sustained as of 1986. The results in terms of levels of investment and economic growth proved impressive. Overall investment rose steadily from 17% of GDP in 1986 to 20% in 1988, and the GDP grew by an average of about 8 per cent.[20] Much of it was in productive enterprises in agriculture (packing companies) and industry, both internationally and domestic market oriented (timber, fishing, manufacturing, communications). The financial sector recovered its health, but no longer overshadowed other activities. Foreign direct investment made up a significant part of the capital sunk into the Chilean economy. Much was devoted to wholly owned subsidiaries (packing companies, mining enterprises, and timber companies, and financial corporations). A substantial proportion, however, arrived in the form of joint ventures with the holding companies of Chile's largest and best established surviving conglomerates, again in those same general industries, including fishing activities.[21]

Business-State Networks in Democratic Chile, 1990-1992

The democratic opposition that took over the government after Pinochet's defeat in the plebiscite of October 1988, had pledged its commitment to the development of a liberal economy and society in Chile during the transition to democracy. It explicitly promised not to tamper with the general economic model--pragmatic liberalism--developed during the last years of the dictatorship. Moreover, once in office, the new democratic administration retained the essential features of the previous form of collaboration between government policymakers and business peak associations. The new policymakers believed this was the best way to maintain investor confidence.

Top policymakers continue to be technically very capable people. And, although the system of collaboration is not institutionalized, they too regularly consult and negotiate with the leadership of business peak associations on major economic policy issues from the policy formulation stage on down.[22] Taxation, labor, and foreign exchange policies are among some of the major initiatives that have been handled that way. Channels of communication are also open for discussion on matters of lesser importance. For example, one director of the Industrial Development Society (SFF) confided, "On matters large and small, we have excellent access to the ministries. All I have to do is pick up the phone and we arrange a meeting right away."[23] By the same token, the then president of the Confederation of Production and Commerce said, "Tax and labor code changes were negotiated settlements with the government."[24] The business peak associations themselves continue to be highly representative of the interests of the large-scale business sector. For each policy initiative they set up a technical commission that studies government proposals and makes observations that are then negotiated with the policymakers, and/or with legislators if it is a proposed law. According to a member of the executive committee of the SFF, "We meet often to technically evaluate policy proposals. We then make counter proposals and accompany our directors when they negotiate with government officials. Ever since we began discussing policy on a more technical basis we have had better relations with government, and better results."[25]

Some of the characteristics of the top government policymakers have changed from the days of pragmatic neoliberalism under the military government. The top ranks are no longer composed of a combination of career bureaucrats and businessmen. Instead, most are highly trained economists from think tanks linked to the major political parties that formed the opposition bloc.[26] This suggests that having businessmen in the cabinet is not key for investor confidence in Chile. A commitment to building a liberal economy and society, along with technical capability, and the certainty that they will be consulted in policy formulation and implementation, however, does seem to be important. Moreover, the combination of professional technocratic style in government with technically capable, highly representative business peak associations appears to restrain rent-seeking and corruption.

This arrangement has contributed to impressive economic results. Investment continues to rise steadily and is reported at 25% of GDP in 1992, and the economy has enjoyed sustained high aggregate growth rates of around 7% per year since 1986.[27] Moreover, Chile's liberal economy sets relatively high performance standards for industry. As a result, existing price supports and other sectoral policies are set at levels that only provide a minimum of protection to keep businesses from succumbing to predatory international competition. Thus, the price system demands high performance from industry and keeps rent-seeking and corruption around what protection and subsidies exists to a minimum.

Business-State Networks, Investment, and Economic Growth in Venezuela, 1959-1988

The case of democratic Venezuela between 1958 and 1988 provides a sharp contrast to Chile between 1973 and 1992. During those thirty years it was an example of the Latin American democratic, populist, clientelist state. Thus it had a commitment to economic growth, nationalism, and social equity. In addition to these differences, Venezuela also followed an import substitution industrialization (ISI) model of economic development, with its attendant regulations, controls, and emphasis on discretionary state power to develop industry. Moreover, Venezuela was also blessed--or cursed--with oil, which was the heart of the country's economy.[28] In this context, in spite of increasing oil revenues and notable advances in the ratio of investment to GDP, overall economic performance remained sluggish. While investment rates rose from around 10.5% of GDP in the 1960s to around 25-30% in the late 1970s, average GDP growth was only around 4% in the 1960s and 3% in the 1970s.[29]

To be sure, clientelism, over-reliance on a single commodity for exports, the economic distortions of ISI, and populist social policy all had an impact on the sluggishness of GDP growth in spite of the more than doubling of investment.[30] In addition to these factors, however, the specific characteristics of state institutions, of the top policymakers, the nature of business peak associations, and the system of collaboration between capitalists and the state also played a role. They provided opportunities for rent-seeking and corruption that had a negative impact on the productivity of investment.

To the degree that collaboration between the state and capitalists is important for investment and economic growth, the Chilean case suggested that one of the keys to the successful system of collaboration is the concentration of decision making power at the top levels of government and business. Thus, the state should have a well-defined hierarchy of economic ministries headed by technically proficient personnel. In the private sector, technically sophisticated highly representative business peak associations deal with government technocrats. Thus, while there is ample access to government by business, the points of access, the actors, and the "currency" of the discussion are all predefined, and well codified.

The situation in Venezuela, however, was virtually the reverse from that of Chile where highly cohesive state institutions bargained with a fairly cohesive private sector. Fragmentation and particularism within both the government and the private sector seems to have been its main characteristic.[31] This made Venezuela's economic policymaking institutions more porous than Chile's and facilitated rent-seeking, corruption, and private deals on the part of capitalists and government decision makers alike. It also encouraged competing particularistic coalitions of state institutions and capitalists pitted against others.[32] Moreover, also unlike Chile, until the early 1980s public investment (from oil revenues) drove Venezuelan private investment. The government targeted industries for growth and offered subsidized credits and other incentives for their development. Private investment followed. But those government resources were not conditioned on expectation of better performance by capitalists. Finally, successive administrations constantly redefined the priority sectors. As a result, Venezuelan capitalists continually diversified their holdings in new industries where they had little experience, and favored short term gains over long range planning. These factors generally had a negative impact on industry performance.[33]

In the context of the myriad regulations and controls associated with the ISI development model, the fragmented system of collaboration between government policymakers and capitalists encouraged rent-seeking and corruption. The director of a leading pulp and paper company put it this way: "We lobby government officials by offering stock options, a job when they get out of office, and other incentives."[34] The president of an insurance group added, "The most important businessmen regularly strike private deals with politicians over prices, contracts, and exceptions to policies they don't agree with for their firms."[35] On the government side, top policymakers could be either party politicians or important businessmen. Such men directed the ministry of finance, the Central Bank, the ministry of development, the planning ministry, the Venezuelan Investment Fund, and the ministry of mines and energy (oil). All of these agencies made important investment decisions in a relatively decentralized manner. Their goals were sometimes in conflict as well. By the same token business peak associations were fractionated and weak.[36] Their weakness primarily stemmed from fact that they did not really speak for large-scale business.[37] The leadership of the peak associations was not composed of businessmen with executive capacity. They mainly worked out the details of policy implementation, especially in regulations and prices.[38]

Given the relative lack of importance of business peak associations, the main channels of access and communication between the state and capitalists were on a personal level between large-scale businessmen and ministers of state. Business peak associations might agree on a general position on a given problem with government officials. Then, the most important businessmen of a particular industry would privately seek out their friends in the respective ministry.[39] They would either negotiate an exception for their firms, or they blocked or modified proposed regulations or prices for the entire industry in accord with their individual needs. The insurance group president put it this way: "The peak associations work out a position. Then the owners of the largest corporations in the sector sabotage it by making private arrangements with friendly politicians. We won't get anything done until this situation is reversed."[40]

Although inefficient, this system did lead to increasing investment and economic growth, albeit sluggish at times, as long as oil revenues were sufficient to drive the Venezuelan economy. With the debt crisis of the early 1980s, the end of the fixed exchange rate for the bolívar, plummeting oil prices, and increasing economic instability, Venezuelan capitalists stopped investing. Capital flight, much of it through corrupt and illegal movements, reached scandalous levels.[41] Private sector investment levels dropped below public sector investment for the first time in democratic Venezuela.[42] Public sector investment also declined as fiscal spending concentrated on fueling populist social spending programs or bailouts for financially strapped companies with good political contacts.[43]

THE EMERGENCE OF SYSTEMS OF COLLABORATION

The previous discussion of the Chilean and Venezuelan cases raises several questions that emphasize the dynamic rather than the static dimensions of collaboration between bureaucrats and capitalists. Two of those questions will be discussed in this section of the essay. Why did successful collaboration emerge in Chile after 1982, and a less workable--although serviceable--system of collaboration appear in Venezuela after 1959? What contributed to the continuity of the system of collaboration after the transition to democracy in Chile; why did it collapse in Venezuela after 1982? The question of the effects of Venezeula's economic restructuring program will be considered in a following section.

From this more dynamic perspective, then, the following sections argue that social coalitions and international factors acquire greater relevance than institutional factors in the process that gives birth to particular forms of collaboration. International economic and political change can break up the bargains that sustain institutional arrangements. This unleashes a process of conflict and cooperation between social groups in the search for new policy coalitions and institutions. Thus, in Chile, the end of high international liquidity broke up a narrow business coalition that supported radical neoliberal economic restructuring. A new business coalition formed and policy changed somewhat in the confines of the same state structure. That coalition held together in the transition to democracy, made a deal with the opposition, and the same basic economic policies are in force today in democratic rather than authoritarian Chile.[44] By the same token, in Venezuela changes in the international economic system since the 1980s, and political pressure from Washington (the offer of a bilateral free trade agreement), have forced business to reconsider its participation in the populist coalition forged at the end of the 1950s. Venezuelan capitalists are engaged in their own process of conflict and cooperation as they struggle to construct a new policy alliance. All of this within the confines of the same democratic regime.

How "Successful" Collaboration Emerged and was Retained in Chile

As previously seen, Chile's authoritarian regime--bent on forging a liberal state--gave birth to a "successful" form of collaboration between capitalists and bureaucrats between 1983 and 1988. What factors help to explain why the previous "unhealthy," system of collaboration (which after all was briefly successful between 1979 and 1982) gave way to the new "successful" one, and why was it retained in democracy? To begin with, an external shock, the end of high international liquidity, destroyed the viability of radical neoliberal economic restructuring and the narrow capitalist coalition that supported.[45] Faced with a closed military government that essentially refused to change the basic policy instruments of radical neoliberalism, Chilean capitalists banded together in search of an alternative set of policy instruments that might put Chile back on the path to economic growth, although still within the framework of a liberal state and economy.[46]

International economic crisis and a highly autonomous military regime may have forced Chilean capitalists to collective action, but it was insufficient to build an effective system of collaboration between them and the state. A political crisis, a threat to the project of authoritarian liberal state formation--specifically, a challenge to General Augusto Pinochet's position as head of state--finally induced a change in the system of collaboration between the public and private sectors.[47] Among other concerns, Pinochet and his advisors worried that some important business groups might be persuaded to join the moderate political opposition that had gathered strength as a result of the economic crisis.

As the economic crisis deepened in 1983 and 1984, the main opposition bloc, Alianza Democrática (AD), made overtures to disgruntled business groups. The idea was to woo some important capitalists away from Pinochet and form a broad multi-class alliance against the dictatorship. To that end, at a time when Pinochet was still backing Chicago boys, AD promised to adopt the main policy proposals of the pragmatic neoliberal capitalist coalition.[48] AD, however, also proposed greater state intervention in the economy, especially in form of public ownership.[49] If successful in its plans, AD hoped to speed up the transition to democracy by three years (1985 instead of 1988), with changes to the authoritarian constitution of 1980, and to negotiate this transition with the military, but without Pinochet.

In order to truncate the formation of such a broad cross-class coalition against him, the available evidence suggests that Pinochet began to incorporate businessmen into the cabinet in 1983 and 1984 so that they could implement their economic recovery plan.[50] That action laid the groundwork for the system of collaboration that emerged in 1985. For it was then that Pinochet replaced businessmen with technocrats in key government financial institutions because sectoral tensions among capitalists occupying economic ministries had become untenable. But he retained businessmen at the head of sectoral ministries, as well as the system of close consultation with business peak associations that they had encouraged in 1984.

The reequilibration of the military government strengthened the process of liberal state formation in Chile by robbing AD of potential capitalist support. As a result, the opposition's challenge to the authoritarian 1980 constitution and to changes in the economic model collapsed. Thus, after pragmatic neoliberalism took shape between 1984 and 1986, the opposition promised to retain that economic model virtually without modification in return for the opportunity to mount an electoral challenge to Pinochet under the conditions stipulated by the 1980 constitution. This meant expunging references to public enterprise and toning down the redistributional rhetoric in favor of a more assistentialist approach to welfare issues.[51]

Thus, in the context of a stabilizing international economy, the power relations between the opposition and authoritarians during the transition to democracy influenced the retention of the general features of both pragmatic neoliberalism and the system of collaboration. After winning the plebiscite of 1988 and the presidential elections of 1989, the opposition maintained the system of close consultation with business leaders that had been forged in the last years of the dictatorship. The new administration did so for the express purpose of increasing the confidence of capitalists in the government's promise to retain the pragmatic neoliberal economic model. Capitalists would thus be induced to continue to invest.[52] In the words of Alejandro Foxley (currently finance minister) shortly before the plebiscite: "We have given businessmen every assurance that we will respect their fundamental interests. We will not countenance a return to populist policies. Chile needs to retain the conditions that foster private sector investment because that's the only path to healthy development."[53]

But the transition to democracy strengthened the system of collaboration in ways that went beyond the retention of what already existed. Since Chile's authoritarian regime never collapsed, the democratic opposition sought ways in which to negotiate the political transition. Thus, as early as 1984, AD strove to incorporate businessmen in policy negotiations.[54] The reequilibration of Pinochet's regime reinforced the commitment to a consensual style of policymaking of AD and its successor, the Concertación de Partidos por la Democracia. As a result, this style has been a key characteristic of policymaking in Patricio Aylwin's administration under the guidance of chief of staff Edgardo Boenninger, who had led AD's initial efforts in this realm in 1984. The central point of this consensual style is to promote national reconciliation by avoiding the conflictual policymaking styles of the past. In this effort, the interests of capital have weighed more in the balance than any other group's.[55] In short, the current system of collaboration is the business/government nexus of the consensual politics of redemocratized Chile; born of the power relations between authoritarians and democrats in the transition to democracy.

The Emergence and Collapse of Venezuela's System of Collaboration

The Venezuelan case reinforces the importance of factors such as the history of state formation, social coalitions, and the international economy in the rise and fall of systems of collaboration. Within Latin America, Venezuela may be considered a case of the late, late creation of a populist, clientelist, democratic capitalist state within the context of an import substitution industrialization policy. Venezuela forged a typical populist coalition that later encountered their typical problems. It was a broad-based multiclass social coalition of industrialists, middle classes, and organized urban and rural labor, mediated by a populist political party.[56] Distributive and redistributive policies held the coalition together. In the Venezuelan case, expanding oil revenues provided the resources for such policies.[57]

In the formation of Venezuela's populist state, the system of collaboration between business and economic policymakers emerged as the result of a pact forged between the major political parties (that represented the interests of the middle and popular classes) and businessmen. Significantly, individual capitalists instead of peak associations represented business interests. The resulting pact explicitly recognized capitalist development based on an ISI model. This gave Venezuelan businessmen confidence that future policy would generally serve their interests.[58] The process of forging a populist state ensured that the relationship between capitalists and policymakers conformed to the clientelistic and distributive nature of that state.

The system more or less worked as long as oil revenues could sustain the distributive policies that held the coalition together. That condition, however, changed apace with the international economy in the early 1980s. Business abandoned the coalition via massive capital flight.[59] Unlike the crisis of populism elsewhere, however, Venezuelan capitalists did not clamor for military intervention nor did the economic crisis alone forge a policy consensus. In Chile, international economic crisis and a closed state spurred capitalists to collective action in the design of an alternative economic program. But the fragmented, porous character of the populist, clientelistic state in Venezuela provided strong disincentives to collective action among their capitalists. In general, it seems that political crisis--threats to the democratic regime--move them to collective action more quickly than economic crisis. That had been the case in the early and mid 1960s, when important capitalists with decision making power took an interest in the management of business peak associations.[60] Once the threat was gone they abandoned them. As evidence presented in the next section suggests, the same seems to be occurring in the aftermath of two coup attempts and the impeachment of president Carlos Andrés Pérez in June 1993.

PATTERNS OF COLLABORATION AND THE FORGING OF THE LIBERAL STATE IN VENEZUELA

Although by no means optimal for the productivity of investment, Venezeula's system of collaboration between bureaucrats and capitalists at least was not a disincentive to investment until 1982-83. This suggests that the requirements of collaboration change over time. A change in the international economy--the long term price of oil and the availability of cheap foreign savings--contributed among other factors to the neoliberal economic restructuring program that Venezuela began in 1988. Based on available evidence, a comparison between the Venezuelan and Chilean experiences suggests that the process of liberal economic restructuring itself may contribute to growth-inducing collaboration between capitalists and government policymakers. Perhaps state officials have to "listen" more to capitalists because in liberal economies they, not the state, are responsible for the bulk of investment.

There are striking parallels between Chile and Venezuela in the sequence and form of the establishment of the liberal state in economic restructuring programs and their impact on the system of collaboration between policymakers and capitalists. In Venezuela, as was the case in Chile, during the initial period of adjustment the president--Carlos Andrés Pérez--appointed a narrow group of businessmen and technocrats interested in radical liberal economic restructuring to top policymaking positions.[61] Mostly by decree, they pushed through price and trade liberalization along with privatization and a high real exchange rate.[62] Again as in Chile, the capitalists involved were associated with large conglomerates that concentrated their holdings in internationally competitive industries, some had long supported tariff reform. Many of these businessmen/technocrat policymakers were "on loan" to the government, as Venezuelans phrased it. Moreover, quite a few had been associated with a working group established in the early 1980s--the Grupo Roraima--dedicated to finding a liberal solution to the crisis of the populist state.

If the relationship between a narrow band of capitalists, technocrats, and the president proved fragile in authoritarian Chile, it was even more so in democratic Venezuela. Unlike Chile, those adversely affected by economic adjustment and restructuring had means with which to defend themselves: the congress. They stalled supporting legislation intended to deepen privatization and market liberalization.[63] With the impeachment of Carlos Andrés Pérez in May of 1993 the fate of the reforms remains uncertain.

Has the process of economic restructuring in Venezuela also restructured the longer term relationship between the state and the private sector along Chilean lines? Success in Chile meant two things. One, the formation of a pragmatic capitalist policy coalition by centralized business peak associations that represented the interests of large-scale capital. Second, those peak associations regularly participated in the policymaking process. Although the evidence is inclusive, there are signs of comparable trends emerging in Venezuela.

In some respects, Venezuelan capitalists in the early 1990s and their business peak associations have responded similarly to those in Chile a decade ago. A Venezuelan version of "pragmatic" neoliberalism is struggling to emerge. In the main, large-scale businessmen have begun a campaign to retain what they consider valuable of CAP's "radical" neoliberal program and to add nuances to aspects they consider more damaging. The battle lines in Venezuela, of course, are sectoral. All seem in favor of high real exchange rates, the price system, "managed" interest rates, and privatization. Commerce wants to retain low tariffs. Industry wants more tariff protection. As in Chile, the discussion centers on how to achieve a measure of protection within the confines of neoclassical economics, and, again, anti-dumping regulations stand at the center of the debate. Meanwhile, in another replay of Chile a decade ago, agriculture wants price supports, and may get them. However, unlike Chile, the financial sector (banking and insurance) is fighting legislation that would open them up to external competition. The outcome was still unclear in July, 1993.[64]

In Chile, the success of the policy coalition and its linkages to the state hinged on bargaining between centralized, authoritative, peak associations. Are Venezuelan peak associations overcoming their fragmentation and weakness? In some respects the answer is a tentative yes. Faced with a political crisis--the threat of a populist military coup or elected government that would reverse policies they now support--large scale capitalists have begun to take an interest in their peak associations, and to use them as a vehicle for negotiating policy change.[65] Although the trend is tenuous and has suffered from backsliding, it is nonetheless recognizable. If they hammer out their version of a "pragmatic neoliberal" policy coalition, they would then negotiate a new pact to replace the Pacto de Punto Fijo of the late 1950s and the Social pact of the 1980s.[66]

Meanwhile, the bulk of the investments for Venezuela's current high growth levels are coming from abroad. The absence of a cohesive capitalist policy coalition capable of negotiating a new form of articulation to the state has made the Venezuelan private sector very cautious. They are not certain of the rules of the game and most do not have the funds to gamble in the long term.[67] If a new arrangement between the Venezuelan private sector and the political parties and unions emerges around a consensus over the form of the liberal state and the general economic model, then Venezuelan investor confidence may reemerge as it did in the wake of the fall of Pérez Jiménez in the 1950s. The vice president of a leading business consulting firm characterized the situation in the following manner. "Venezuelan investment will pick up once the private sector is convinced that the basic economic policy orientation will not be subject to change by incoming administrations (gobierno de turno)."[68]

WHY DOES COLLABORATION INDUCE INVESTMENT AND ECONOMIC GROWTH?

Why does collaboration induce investment and economic growth? In addition to Peter Hall's idea of the interplay of learning and conflict, the Chilean and Venezuelan cases suggest that the struggles involved in establishing a successful economic policy coalition also influences that outcome.[69] Capitalist participation in two areas seem to have a more investment inducing effect than the actual institutional form of collaboration. One of them is their involvement in the determination of both the economic policy agenda and its instruments--that is, setting the basic rules of the game. This activity calms the fears of capitalists by reducing their uncertainty over the fate of their investment. The other important factor is their role in the design of the form of collaboration itself. This aspect reinforces their confidence that policy in general will favor their interests, or that they will be able to soften adverse policy to acceptable dimensions. Thus, in Chile the combined economic and political crises of 1982-83 forged a cohesive capitalist policy coalition that then negotiated policy and the form of collaboration directly with the highest levels of the military government. In Venezuela, political crisis in the late 1950s brought political parties and capitalists together in order to negotiate the specific rules of the game they could all live under. Those accords then shaped the specific forms of collaboration. Thus, with rules of the game set in ways acceptable to them, and with systems of collaboration that reinforced those agreements, capitalists felt secure enough to invest. The productivity of that investment, of course depended on other factors.

THE LIBERAL GROWTH STATE: IMPLICATIONS OF AN ALTERNATIVE MODEL OF STATE FORMATION

Arguing against the neoclassical economic tide, a number of studies of the East Asian cases of rapid growth on the periphery have stressed the importance of the role of the interventionist state.[70] In response to such arguments, market enthusiasts might point to the Chilean case in order to vindicate their faith in the liberal model of development. In reality, these somewhat contrasting models probably only imply that there is more than one pathway from the periphery, to use Stephan Haggard's apt phrase.[71] One path emphasized state intervention and an economic model that concentrated on industrialization based on the exploitation and development of competitive advantages in manufacturing. The other path featured less direct state intervention and focused on extractive industries rooted in the nation's comparative advantages.

Despite these rather stark differences, Chile shares with East Asia what Ziya Önis has identified as two additional key features of the developmental state.[72] The first one is a single minded emphasis on economic growth to the virtual exclusion of all other values. Thus, although other values such as equity and participation cannot be completely ignored in democratic Chile, they are nevertheless firmly subordinated to the requirements of economic growth. Close collaboration between top economic policymakers and capitalists is the second common feature of the developmental and liberal growth states. Given these similar characteristics and successful growth rates, Chile may be considered a model of the "liberal growth state." Moreover it is a model touted by the "Washington consensus," and increasingly emulated by other Latin American countries.

A comparison between the liberal growth state and the developmental state suggests the following hypothesis. A single minded dedication to growth and an effective form of collaboration between capitalists and policymakers seems to be more crucial for rapid growth on the periphery than either the degree of state intervention or whether rapid growth is based on industrialization. Thus, the need for the latter two elements probably depends upon which outward growth strategy a country adopts, which, in turn, is partially related to factor endowments.[73] Nations pursuing rapid industrialization seem to benefit from greater direct state intervention. The state must have the instruments to effectively carry out industrial policy. By the same token, however, the liberal growth state must also possess sufficient capacity to create and enforce the institutions that permit markets to function. All of this, of course, in the context of international political economy that favors outward oriented development strategies, whether they are industrially focused or not.

The comparison between Chile and Venezuela also suggests that the institutional requirements of collaboration and the characteristics of the major actors need not be the same as those present in the East Asian developmental state for rapid growth to take place. On the side of the policymakers, studies of East Asia have emphasized the importance of a meritocratic, technocratic, career civil service.[74] Chile, by contrast, drew the majority of its top policymakers from civil society. Nevertheless, there is a common core to both systems: policymakers are flexible, non-ideological, technically proficient, and imbued with a professional ethos. In Venezuela, where this was not the case in any systematic way, economic growth suffered--and not always for lack of investment. The cases also suggest that a well defined hierarchy among the economic ministries helps technocrats to function properly: greater autonomy for financial and planning ministries at the top of the hierarchy, and perhaps a bit more porousness in sectorial ministries whose functions are more circumscribed by the higher instances.

With respect to the characteristics of top capitalists some of the East Asian cases[75] and Chile suggest that collaboration works better when business interests are highly centralized as well. The Venezuelan case provided an interesting contrast. It showed that a high degree of fragmentation and a lack of support of business peak organizations by top capitalists was not functional to successful collaboration. Moreover, in spite of the similarities between the East Asian and Chilean cases on this score, there seemed to be an important difference as well. In East Asia the state apparently dealt mainly with the heads of major conglomerates, whereas in Chile successful collaboration required the participation of centralized business peak associations that enjoyed the full backing of the major conglomerates. Significantly, when only a few conglomerates participated in policymaking, the resulting policy ultimately proved to be disastrous. Of course, it is difficult to sort out whether the form of business representation or the characteristics of the policymakers were more at fault. In short, effective centralization of top capitalists seems necessary for successful collaboration; although whether by conglomerates or business peak associations seems to be contingent on other factors which merit further study.

In addition to these factors, this paper has also argued that relatively static institutional conditions are not sufficient for understanding the circumstances under which collaboration contributes to investment and growth. The comparison between Chile and Venezuela suggests that the dynamics of shifting capitalist coalitions and their relationship to the state are crucial as well. First of all, strong national capital participation in investment occurred when capitalists organized in a cohesive economic policy coalition played a central role in determining the economic model and its basic policy instruments. Moreover, that experience also defined the basic rules of the game for collaboration between the private and public sectors. It may well be that this participation in setting the rules of the game is what provides Latin American capitalists with sufficient confidence to risk substantial investments, particularly during the process of economic restructuring that is necessary for the establishment of the liberal growth state. In the process of negotiation with capitalists, policymakers may also learn which policy instruments are acceptable and which need to be refined.

These observations imply that the requirements for successful collaboration change over time along with shifts in the dominant policy coalition. What prompts changes in those coalitions and the articulation with the state that they had forged? I argued that international economic factors and domestic political factors are vital in provoking changes in the composition of dominant social coalitions in Latin America, and hence, the form of collaboration. External shocks can certainly initiate the undermining of reigning policy coalitions, as was the case in Chile and Venezuela in the early 1980s.[76] Internal political shocks that follow apparently help the process along. In Venezuela, the threat of a coup by populist military forces and their allies in the early 1990s moved the business sector to rally behind some of the neoliberal reforms already implemented, principally price liberalization and privatization. In Chile, Pinochet responded to a the demands of a new capitalist coalition only in the presence of political threat against his personal rule. Moreover, in the context of a generally expanding world economy and favorable oil prices, internal political crises alone may precipitate changes in policy coalitions, as was the case with the Pacto de Punto Fijo in Venezuela in the late 1950s. Meanwhile, as of the late 1980s in Chile international economic and internal political stability are contributing to the expansion of the pragmatic neoliberal coalition to include middle classes and a substantial portion of unorganized labor.

This paper has concentrated on the characteristics of successful and not so successful collaboration in Chile and Venezuela and how those forms of collaboration arose. Some of the key features of the discussion and the framing of its terms, however, raise worrisome questions. The question of economic efficiency has tended to dominate mainstream academic discussions of economic development on the periphery for some time now. Thus, the current concern with the issue of collaboration is defined in terms of rates of investment and economic growth. Not too surprisingly the evidence reveals that "successful" collaboration requires single-minded dedication to providing a good business climate, of favoring growth to the exclusion of other values. This focus crowds out other questions such as, what are acceptable trade-offs between equity and growth in developing countries?[77] How can capitalists be induced to continue investing once governments begin to address the social question?[78] Questions such as these suggest rich avenues for new research related to the issue of collaboration. If capitalists are so strong now that efficiency questions dominate to the exclusion of other values, realistic alternatives to the liberal conception social equity are sorely needed.[79] Once those alternatives are specified, and since Latin American capitalists tend to strongly resist efforts at social reform, new research can begin to explore if there are forms of collaboration that can help to ease the fears of capitalists when social policy receives serious attention. Additional, complementary research can then address the conditions that might favor the adoption of such forms of collaboration.

ENDNOTES

1. See for example, Stephan Haggard, Pathways from the Periphery: The Politics of Growth in Newly Industrializing Countries (Ithaca: Cornell University Press, 1990).

2. For an excellent review of essential works see, Ziya Önis, "The Logic of the Developmental State," Comparative Politics, 24, 1, 1991. Also see, Robert Wade, "Managing Trade: Taiwan and South Korea as Challenges to Economics and Political Science," Comparative Politics, 25, 2, 1993.

3. For the process of Chile's neoliberal economic restructuring see, Alejandro Foxley, Latin American Experiments in Neoconservative Economics (Berkeley: University of California Press, 1983); and Sebastian Edwards and Alejandra Cox-Edwards, Monetarism and Liberalization: The Chilean Experiment (Cambridge: Ballinger Publishing Company, 1987).

4. The importance of the "right" form of collaboration in authoritarianism is further strengthened by the contrast to Argentina. That country tried a similar economic model under military rule after 1976, but failed to construct forms of collaboration with businessmen and landowners capable of leading to high levels of investment and economic growth. See, Gary W. Wynia, Argentina in the Post War Era: Politics and Economic Policy Making in a Divided Society (Albuquerque: University of New Mexico Press, 1978); and William C. Smith, Authoritarianism and the Crisis of Argentine Political Economy (Stanford: Stanford University Press, 1989).

5. In addition to the studies cited in note 3 see, Joseph Ramos, Neoconservative Economics in the Southern Cone (Baltimore: Johns Hopkins University Press, 1986).

6. For a thumbnail sketch of this periodization see, Carlos Hurtado, De Balmaceda a Pinochet: Cien años de desarrollo y subdesarrollo en Chile, y una disgresión al futuro (Santiago: Ediciones Logo, 1988).

7. See, Foxley and Edwards (note 3).

8. For pension fund reforms see, José Pablo Arellano, "Sistemas alternativos de seguridad social: Un análisis de la experiencia chilena," Estudios Cieplan, no. 11, 1983. For labor reform see, Guillermo Campero and José A. Valenzuela, El movimiento sindical en el régimen militar chileno, 1973-1981 (Santiago: ILET, 1983), and Jaime Ruiz-Tagle P. El sindicalismo chileno después del plan laboral (Santiago: PET, 1985). For health care reforms

see, Dagmar Raczynski, "Reformas al sector salud: Diálogos y debates," Estudios Cieplan, no. 10, 1983.

9. In addition to Edwards (note 3) and Ramos (note 5), see Laurence Whitehead, "The Adjustment Process in Chile: A Comparative Perspective," in Rosemary Thorp and Laurence Whitehead, eds., Latin American Debt and the Adjustment Crisis (Pittsburgh: University of Pittsburgh Press, 1987).

10. For the institutionalization of Pinochet's regime see, Arturo Valenzuela, "The Military in Power: The Consolidation of One-Man Rule," in Paul W. Drake and Iván Jaksić, The Struggle for Democracy in Chile, 1982-1990 (Lincoln: University of Nebraska Press, 1991).

11. For the Chicago boys see, Juan Gabriel Valdés, La escuela de los Chicago: Operación Chile (Buenos Aires: Grupo Editorial Zeta, 1989), and Patricio Silva, "Technocrats and Politics in Chile: From the Chicago Boys to the Cieplan Monks," Journal of Latin American Studies, 23, 2, 1991.

12. For these characteristics see, Foxley (note 3), and Hurtado (note 6).

13. For an elaboration of the distinction between different types of conglomerates see, Eduardo Silva, "Capitalist Coalitions, the State, and Neoliberal Economic Restructuring: Chile, 1973-88," World Politics, 45, 4, 1993. For another study that distinguishes the importance of private/public sector networks for policymaking see, Ben Ross Schneider, "The Career Connection: A Comparative Analysis of Bureaucratic Preferences and Insulation," Comparative Politics, 25, 3, 1993.

14. They had either been executives, advisors, or on the professional staff of those conglomerates before taking offices, and most returned to them after they left government service. Significantly, these were the same conglomerates that had organized business resistance against Allende in the Monday Club and collaborated with the military in the conspiracy to overthrow Salvador Allende. For the Monday Club see, Philip O'Brien, The Pinochet Decade (London: Latin American Bureau, 1983).

15. Author interview with Christian Democrat Juan Villarzú, budget director from 1974-1975, Santiago de Chile, December 1988. This view was corroborated by Andrés Sanfuentes, an early Christian Democratic civilian economic advisor to the military government. Author interview, Santiago de Chile, April 1989.

16. For the role of conglomerates in sucking up credit see, Sergio de la Cuadra and Salvador Valdés, "Myths and Facts about Instability in Financial Liberalization in Chile, 1974-1983," in Philip L. Brock, ed., If Texas were Chile: A Primer on Banking Reform (San Francisco: ICS Press, 1992).

17. For more details see, Arturo Fontaine, Los economistas y el presidente Pinochet

(Santiago: Editorial Zig-Zag, 1988, second edition); Hurtado (note 6), Whitehead (note 9), and E. Silva (note 13).

18. Author interview with Jorge Fontaine in Santiago de Chile, April, 1989.

19. Pablo Araya, author interview in Santiago de Chile, May, 1989.

20. La Epoca, August 18, 1993

21. Patricio Rozas and Gustavo Marín, El mapa de la extrema riqueza: 10 años después (Santiago: Ediciones América, 1989).

22. In virtually every interview business leaders confirmed that easy access to the executive bolstered their confidence in the Concertación's assertion that it intended to adhere to the main tenets of pragmatic neoliberalism. The interviewees also acknowledged that this system allowed them to alter proposed legislation in ways that favored their interests. Author interviews with José Antonio Guzmán (president of the CPC), Manuel Feliú (president of Banco Concepción, past president of the CPC), Pedro Lizana (executive committee of the SFF), Raúl García (Secretary General of the Sociedad Nacional de Agricultura), Alfonso Mujica (vice president of the Cámara Nacional de Comercio). All interviews conducted between June and July 1992).

23. Author interview with Pedro Lizana, then on the executive committee of the SFF (later its president in 1993), in Santiago de Chile, June, 1992.

24. Author interview with Manuel Feliú in Santiago de Chile, June 1992.

25. Author interview with Pedro Lizana, June 1992.

26. For more details see, P. Silva (note 11).

27. La Epoca (note 20).

28. For an overview of Venezuelan politics and political economy see, John D. Martz and David J. Myers, eds., Venezuela: The Democratic Experience (New York: Praeger Publishers, 1977); and David Eugene Blank, Politics in Venezuela (Boston: Little, Brown, and Company, 1973).

29. Figures calculated from, Asdrubal Baptista, Bases cuantitativas de la economía venezolana, 1830-1989 (Caracas: Ediciones María de Mase, 1991).

30. For a description of those conditions see, Moisés Naím, "The Launching of Radical Policy Changes, 1989-1991," in Joseph S. Tulchin with Gary Bland, eds., Venezuela in the Wake of Radical Reform (Boulder: Lynne Rienner Publishers, 1993).

31. For a description of these conditions see, Antonio Gil Yepes, The Challenge of Venezuelan Democracy (New Brunswick: Transaction Books, 1981).

32. For particularistic coalitions see, Blank (note 28).

33. For this interpretation see, Gustavo Escobar, "El Laberinto de la Economía," and Moisés Naím, "La Empresa Privada en Venezuela: ¿Qué pasa cuando se crece en medio de la riqueza y la confusión?", both in Moisés Naím and Ramón Piñango, eds., El Caso de Venezuela: Una Ilusión de Armonía (Caracas: Ediciones IESA, 1984. Also see, Moisés Naím, "El Crecimiento de las empresas privadas venezolanas: Mucha diversificación, poca organización," and Antonio Francés, "Abundancia, confusión y cambio: El ambiente en que se desenvuelven las empresas y sus gerentes en Venezuela," both in Moisés Naím, ed., Las Empresas Venezolanas: Su Gerencia (Caracas: Ediciones IESA, 1988).

34. Confidential author interview in Caracas, Venezuela, July 1993.

35. Author interview with Iván Landsberg in Caracas, Venezuela, July 1993.

36. In addition to Gil Yepes (note 31), also see, René Salgado, "Economic Pressure Groups and Policy-Making in Venezuela: The Case of FEDECAMARAS Reconsidered," Latin American Research Review, 22, 3, 1987.

37. John Sweeney, "Crisis de Dirigencia," Veneconomía, 6, 7, 1989. Antonio Francés of IESA, Roberto Bottomme, editor of Veneconomía, confirmed this view in interviews with author over June and July, 1993 in Caracas, Venezuela.

38. Gil Yepes (note 31).

39. Author interview with Pedro Palma, vice president of Booz-Allen and Hamilton, Inc., an international business consulting firm, Caracas, Venezuela, July 1993. Also see, Naím, "El crecimiento de las empresas privadas en Venezuela" (note 33).

40. Iván Landsberg (note 35).

41. About one fifth of total capital flight between 1976 and 1985 (in billion dollars) occurred between 1983 and 1985. The amounts lost to capital flight between 1976 and 1982 were also very high (25 billion dollars). See, Sylvia Maxfield, "National Business, Debt-led Growth and Political Transition in Latin America," also Jeff Frieden, "Winners and Losers in the Latin American Debt Crisis: The Political Implications," both in Barbara Stallings and Robert Kaufman, Debt and Democracy in Latin America (Boulder: Westview Press, 1989). Also see, Jeffry A. Frieden, Debt, Development, and Democracy (Princeton: Princeton University Press, 1991).

42. Escobar (note 3), and Baptista (note 29).

44. For more details see, Eduardo Silva, "Capitalist Regime Loyalties and Redemocratization in Chile," Journal of Interamerican Studies and World Affairs, 34, 4, 1992.

45. See, Edwards (note 3), Whitehead (note 9, and Frieden Debt and Democracy (note 41).

46. Guillermo Campero, Los gremios empresariales en el período 1970-1983: Comportamiento sociopolítico y orientaciones ideológicas (Santiago: ILET, 1984).

47. For the development of the opposition movement to Pinochet see, two works by Manuel Antonio Garretón, Reconstruir la política: Transición y consolidación democrática en Chile (Santiago: Editorial Andante, 1987), and "Popular Mobilization and the Military Regime in Chile: The Complexities of the Invisible Transition," in Susan Eckstein, ed., "Power and Popular Protest: Latin American Social Movements (Berkeley: University of California Press, 1989).

48. These promises were also implicit in the policy positions prepared by Christian Democratic think tanks. See, Alejandro Foxley, "Algunas condiciones para una democratización estable: El caso de Chile," Estudios Cieplan, no. 9, 1982; Cieplan, Reconstrucción económica para la democracia (Santiago: Editorial Aconcagua, 1983); and Proyecto Alternativo, Proyecto alternativo (Santiago: Editorial Aconcagua, 1984).

49. For the program of Alianza Democrática at that time see, Hoy, no. 424, 1985.

50. E. Silva (note 44).

51. Political instability and the failure of heterodox adjustment programs in neighboring countries reinforced the decision to retain the pragmatic neoliberal economic model without modification. For the opposition's more "realistic" policy positions see, Estrategia, 17 October, 1988; La Epoca, 26 December 1988; Ernesto Tironi, Es posible reducir la pobreza en Chile (Santiago: Editorial Zig-Zag, 1989); Felipe Larraín, "Desarrollo económico para Chile en democracia," in Felipe Larraín, ed., Desarrollo económico en democracia (Santiago: Ediciones Universidad Católica de Chile, 1988). For a discussion of distributional issues within the limits of the neoliberal model see, Ernesto Tironi, "Democracia y mejoramiento de remuneraciones," Centro de Estudios del Desarrollo, materiales para discusión, no. 178, 1987; Alvaro García, "Crecimiento equitativo: políticas de empleo e ingresos," Centro de Estudios del Desarrollo, Materiales para Discusión, no. 191, 1987; Sergio Molina, "El compromiso de Chile: Construir un orden social justo," Centro de Estudios del Desarrollo, Materiales para Discusión, no. 200, 1987.

52. This pattern also represented a continuity in the "consensus" style of interaction with business that AD, and later the Concertación de Partidos por la Democracia, developed during the transition to democracy. As early as 1984, AD had explicitly included business sectors in the discussion over economic, social, and political policies in democracy. See, Centro de Estudios del Desarrollo, Concertación social y democracia (Santiago: CED, 1985).

53. Author interview with Alejandro Foxley in Santiago de Chile, September 1988.

54. For details see, Centro de Estudios del Desarrollo (note 52).

55. Sergio Molina, Minister of Development and Planning, blamed the government's difficulties in addressing the issue of social equity on this system of collaboration. Speech by Sergio Molina at a symposium dedicated to the publication of the 1992 Human Development Report, held in the former National Congress building in Santiago de Chile, 16 July, 1992.

56. The addition of organized rural labor constituted a deviation from the classic ideal type of the populist coalition. Citations for populism.

57. For an overview of this system see, Daniel C. Hellinger, Venezuela: Tarnished Democracy (Boulder: Westview Press, 1991).

58. Terry Lynn Karl, "Petroleum and Political Pacts: The Transition to Democracy in Venezuela," Latin American Research Review, 22, 1, 1987.

59. For capital flight see, Frieden (note 41).

60. Blank (note 28).

61. Naím in Tulchin (note 30); author interview with Janet Kelly de Escobar, academic director of IESA, May 1993; add my own data.

62. It may be worth examining these relationships in other cases, such as Peru, Bolivia, Ecuador, and Mexico. This may be a "stage" in the process of adjustment. For a description of adjustment policies in Venezuela see Naím in Tulchin (note 30); and José Toro Hardy, Venezuela, 55 años de política económica, 1936-1991: Una utopía keynesiana (Caracas: Editorial Panapo, 1992, second edition).

63. Gustavo Tarre Briceño, "Opposition in Times of Change," in Joseph Tulchin, ed. (note 30).

64. It also wants subsidized credit for essential inputs, such as seed and fertilizers. These issues came up almost daily in the Venezuelan press between May and August, 1993.

65. According to press reports between May and July 1993, large-scale businessmen--directors of prominent conglomerates--have put themselves up for election in key chambers: Conindustria and Consecomercio.

66. Margarita López Maya, Luis Gómez Calcaño, and Thaís Maingón, eds., De Punto Fijo al Pacto Social: Desarrollo y Hegemonía en Venezuela (1958-1985) (Caracas: Fondo Editorial Acta Científica, 1989).

67. Author interviews with Cristina Rodríguez, president of Metroeconomía, a high-powered business consultancy firm, July 1993, Pedro Palma (note 39). For overall investment figures see, Metroeconomía, Mensajes para Ejecutivos, Febrero, 1993. Also see Naím in Tulchin (note 30).

68. Author interview with Pedro Palma (note 39).

69. Peter A. Hall, "Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain," Comparative Politics, 25, 3, 1993.

70. In addition to Haggard (note 1) and Wade (note 2), see Gary Gereffi and Donald Wyman, Manufacturing Miracles: Paths of Industrialization in Latin America and East Asia (Princeton: Princeton University Press, 1990); Alice H. Amsden, Asia's Next Giant: South Korea and Late Industrialization (New York: Oxford University Press, 1989); Fredric C. Deyo, ed., The Political Economy of the Asian Industrialism (Ithaca: Cornell University Press, 1987); Robert Wade, Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization (Princeton: Princeton University Press, 1990).

71. Haggard (note 1).

72. Önis (note 2).

73. Haggard (note 1).

74. Önis and Wade (note 2).

75. At least Korea, see Haggard (note 1).

76. For the role of external shocks see Peter A. Gourevitch, Politics in hard Times: Comparative Responses to International Crises (Ithaca: Cornell University Press, 1986); and Haggard (note 1).

77. This question is beginning to crop up in the literature, see Rosemary Thorp, Economic Management and Economic Development in Peru and Colombia (Pittsburgh: Pittsburgh University Press, 1991).

78. The social rigidity of capitalists in much of Latin America has been one of the main stumbling blocks to more equitable development in the region.

79. For the distinction between liberal, conservative, and social democratic welfare states see, Gosta Esping-Andersen, The Three Worlds of Welfare Capitalism (Princeton: Princeton University Press, 1990).