



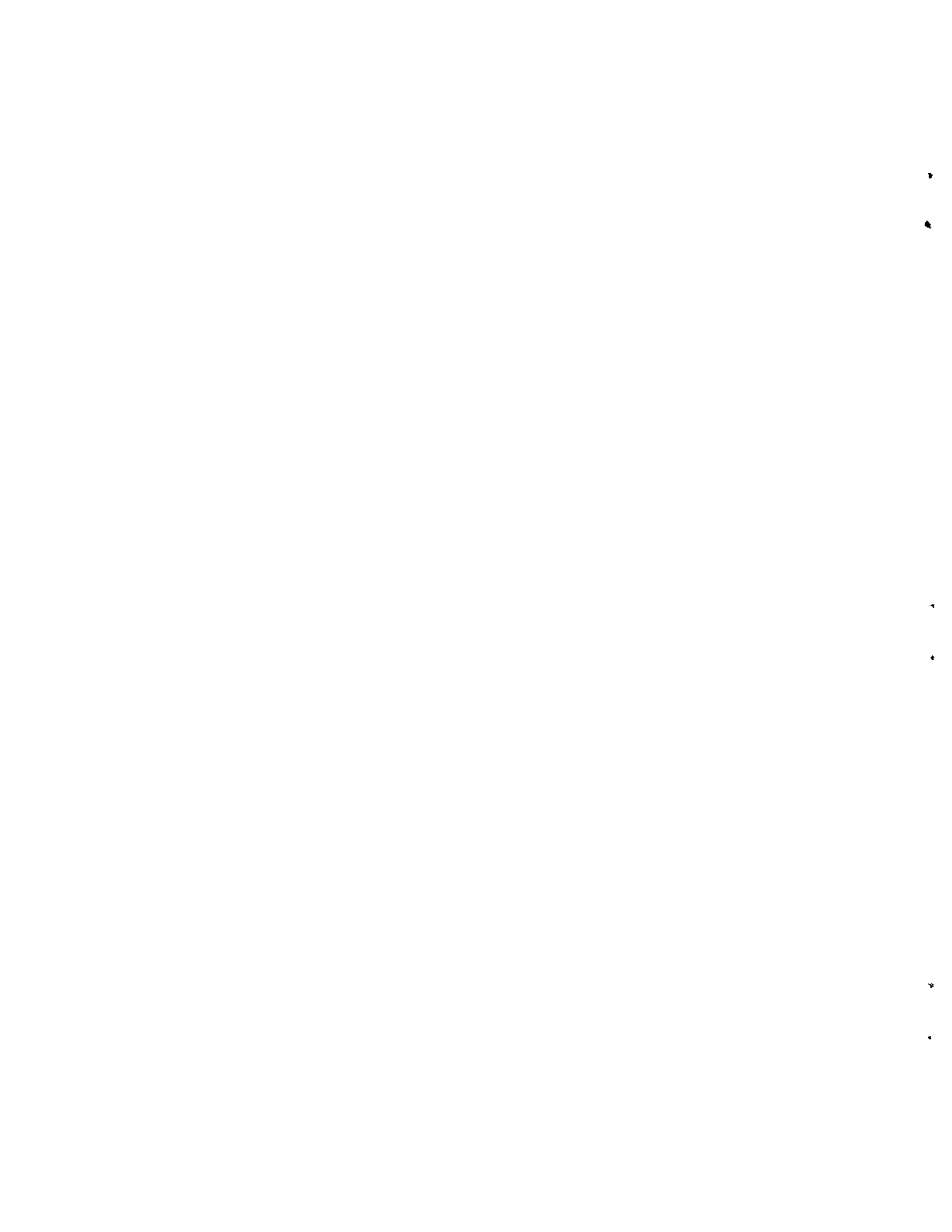
**CAPITALISTS, TECHNOCRATS, AND POLITICIANS:
ECONOMIC POLICY-MAKING AND DEMOCRACY
IN THE CENTRAL ANDES**

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This essay is a summary of current findings from a comparative study of private sector associations and economic policy-making in Peru, Bolivia, and Ecuador undertaken by the author in collaboration with James Malloy (University of Pittsburgh) and Luis Abugattas (Universidad del Pacífico, Lima). The author gratefully acknowledges the comments made on an earlier version by Frances Hagopian, Ernest Bartell, Guillermo O'Donnell, and Caroline Domingo.



ABSTRACT

This paper examines the interactions among business interest groups, political parties, and government economic teams in Bolivia, Ecuador, and Peru since their return to civilian rule. The central argument is that business interest groups favored the transition to democracy in order to reestablish their influence over macroeconomic policy-making. Yet, the push for economic orthodoxy in the 1980s has resulted in a "sealing off" of government economic teams from the pressures of domestic groups, including the business community. Thus capitalist classes continue to experience a crisis of representation even under democratic regimes.

RESUMEN

Este ensayo examina las interacciones entre las asociaciones empresariales, los partidos políticos y los equipos económicos de los gobiernos de Bolivia, Perú y Ecuador desde sus respectivos retornos a regímenes democráticos. El argumento principal es que los grupos empresariales favorecieron la transición a la democracia con el fin de reestablecer su influencia sobre el diseño de la política macro-económica. Sin embargo, la tendencia a la ortodoxia económica en la década de los ochenta ha dado como resultado el que los equipos económicos de los gobiernos se cierren a las presiones de los grupos de interés, incluyendo a las asociaciones empresariales. Así los sectores capitalistas siguen sufriendo una crisis de representación, aún dentro de los regímenes democráticos.



INTRODUCTION

For domestic capitalists in the central Andes, the return to democracy meant the chance to create or resuscitate their instruments of influence over economic policy-making. Indeed, much of the impulse for democratization in Ecuador, Bolivia, and Peru came from business leaders and organizations tired of the uncertainties generated by military policymakers and frustrated by their lack of access to them. The business community's anxieties about influence were deeply felt and continued unabated even when military regimes enacted policies that were highly favorable to the private sector. Even though the military governments of the 1970s rescued the domestic bourgeoisie from certain economic and political problems, many groups within the private sector never perceived public policy under the military as the "bail out" program it was. Their lack of representation in policy-making nagged at them in varying degrees and was a core element in dominant class critiques of the military regimes. In all three countries, business interest groups played leading roles in promoting the transition to democracy.

To what extent have business elites been successful in reasserting their direct influence over economic policy-making in the new democratic governments? This essay argues that domestic capitalists, despite some important political gains, remain highly frustrated by a continuing lack of access to decision-making processes. On

the surface, the business community appears to have enormous advantages at its disposal, sufficient to assure it a "privileged position" in the policy process of democratic regimes. (1) Among its advantages are: 1) the professionalization of business groups and the development of a more sophisticated business lobby; 2) the reestablishment of some corporatist mechanisms to ensure business access to state entities; 3) the integration of high-ranking individuals from the private sector into government "economic teams"; and 4) the strengthening of political parties on the center-right and their attempts to alter the ideological climate of policy-making by injecting anti-statism into public discourse.

But despite these developments, business leaders continue to be alarmed by the tendency of democratic governments to "seal off" economic policy-making from interest group politics. Technocrats and politicians, like their predecessors in the previous military regimes, gravitate toward an exclusionary style of policy-making-- i.e. decision-making practices that are not consultative in reference to either domestic capitalists or labor. There are both structural and conjunctural factors at work that undermine the capacity of business organizations to shape economic policy and that reinforce the lack of responsiveness of state managers. First, the problems posed by the management of the international debt and the severity of the current economic crisis permits and legitimizes the

decisions of state managers to bypass consultations with local actors. The extreme centralization of power in the executive branch reduces the ability of opposition groups to veto those decisions through other branches of the government. Moreover, presidents and their economic teams can look to a powerful set of external allies in international financial circles when they act to implement economic stabilization programs and neoliberal economic models.⁽²⁾ First, these external alliances allow state managers to resist attempts by local business organizations to penetrate the decision-making process and alter the externally approved model adopted by the economic team. Second, divisions and internal differentiations inside domestic capital fragment interests and undermine class unity vis-à-vis the new politics of stabilization and neoliberalism. While nearly all segments of the business community are ideological defenders of market principles, that consensus about abstract values does not translate into consensus about policy, since many groups within domestic capital are highly dependent upon state subsidies and protection. Given this divergence of interests among domestic capitalists and the lack of consensus about how to deal with the economic crisis at hand, state managers opt to ignore the "fuzzy" policy cues from business interest groups and strive to implement coherent economic models.

Before examining the character of this representation crisis as experienced by domestic capitalists and

its implications for the consolidation of democratic regimes, it is essential to understand how the military governments affected domestic capitalists, their organizations and political strategies. (For a list of the governments under discussion see Tables 1 and 2.)

BUSINESS AND THE MILITARY IN THE 1970S

The common theme that runs through many of the analyses of the military regimes in place by the 1970s is that they were responses to the ongoing "hegemonic crisis" of dominant classes in these political systems. (3) By the 1970s, the traditional bases of oligarchical power in these economies had eroded. While some prominent families experienced difficulties in adjusting to economic changes, many others moved to diversify their investments and alter their positions in the accumulation process. The intersectoral character of dominant class economic interests was, of course, not a development unique to the 1950s and 1960s. The available case histories of the oligarquía in Peru, Bolivia, and Ecuador indicate that many of these economic elites traditionally had maintained diversified portfolios. (4) What was new was the widening scope of investment opportunities. The grupos económicos (groups of investors linked through kinship and friendship networks) moved their capital into manufacturing and agro-industry as well as maintaining their old ties to commercial, real estate, and traditional exporting activities (5). The capacity of

TABLE 1: GOVERNMENT SUCCESSION IN PERU AND ECUADOR

PERU

<u>Head of Government</u>	<u>Period in Office</u>
General Juan Velasco Alvarado	1968-1975
General Francisco Morales Bermúdez	1975-1980
Fernando Belaúnde Terry*	1980-1985
Alan García*	1985-present

ECUADOR

General Guillermo Rodríguez Lara	1972-1976
Admiral Poveda Burbano	1976-1979
*Jaime Roldós Aguilera	1979-1981
**Osvaldo Hurtado Larrea	1981-1984
*León Febres-Cordero	1984-present

*indicates directly elected civilian government.

**Vice-President Osvaldo Hurtado assumed the presidency after Jaime Roldós' death in a plane crash.

TABLE 2: GOVERNMENT SUCCESSION IN BOLIVIA

<u>Head of Government</u>	<u>Period in Office</u>
General Hugo Banzer	1971-July 1978
General Juan Pereda	July 1978- November 1978
General David Padilla	November 1978- August 1979
*Walter Guevera Arce	August 1979- November 1979
[Colonel Alberto Natusch Busch	November 1, 1979- November 16, 1979]
*Lidia Gueillier	November 1979- July 1980
General Luis García Meza	July 1980- August 1981
General Celso Torrelío	August 1981- July 1982
General Guido Vildoso	July 1982- October 1982
*Hernan Siles Zuazo	October 1982- August 1985
<u>*Victor Paz Estenssoro</u>	<u>August 1985-present</u>
*civilian government	

groups to move into new economic sectors was facilitated by their control over banking and financial institutions. Linkages between domestic economic groups and foreign capital allowed for a penetration of foreign capital via joint-venture arrangements, transfer of technology agreements, and the local financial network.

Yet, as the recomposition of dominant class economic interests was underway, the capacity of dominant classes to unilaterally control the political process had broken down in the face of populism and more radical popular movements. In Bolivia, the 1952 Revolution dramatically ruptured the direct control over the state long exercised by the tin barons and large landowners. Likewise in Peru and Ecuador, the emergence of new populist parties (Acción Popular in Peru, Concentración de Fuerzas Populares in Ecuador) along with the development of centrist reform and leftist parties eroded the ability of rightist electoral cliques to dominate elections. From the perspective of the capitalist classes in all three countries, it was all too apparent that the state was slipping from their grasp as political power shifted to groups capable of using the state for redistributive ends. Evidence of the threat to privilege was everywhere. In Bolivia, the radical thrust of the military governments of Generals Ovando and Torres (1969-1971) and the appearance of the Asamblea Popular masterminded by the Central Obrero Boliviano (COB) sent shock waves through the private

sector. Class conflict reverberated throughout pre-1968 Peru in form of strikes, guerrilla activity, and peasant movements. Even in relatively quiescent Ecuador, the prospect of Assad Bucaram's victory in the 1972 presidential elections raised the spectre of a populist program based on the new government revenues pouring in from the petroleum sector.

In the context of this loss of control over the political system by previously dominant groups, the military intervened and took up the tasks of political management. But the ideological and programmatic solutions provided by the military regimes differed widely, as did the tenor of their relationships with the private sector. Nonetheless, they all shared a commitment to expanding the role of the state in the economy, bringing about major adjustments in state-society relations.

On the left side of the spectrum, the military government of General Juan Velasco Alvarado (1968-1975) committed itself to undertaking basic structural reforms. Agrarian reform, workers' management, and controlled mass mobilization via SINAMOS were key elements of government policy. Through the creation of a public enterprise sector, the state took up responsibility for the development of basic industries (steel, electricity), the management of strategic export sectors (mining, oil, fishmeal) and the financial system. While some economic groups were displaced by state take-overs, most private

investment in the profitable sectors of the economy was not affected. Generous economic incentives to promote private investment in industries were provided by the 1970 General Law of Industries. Capital accumulation in the private sector was further subsidized by the pricing policies of state enterprises that provided basic inputs. (6)

The government of General Guillermo Rodríguez Lara (1972-76) in Ecuador used some of the same reformist rhetoric as that of Velasco Alvarado, but displayed less of a substantive bite. The attempt at social change was limited; a conservative agrarian reform was enacted and social spending increased but workers' management schemes and the promotion of popular organization were conspicuously absent. The role of the state in the economy expanded as in Peru, but with less emphasis on public enterprises. Some were created, most notably the government oil company, CEPE. More important in the Ecuadorean case was the emphasis on state participation in firms through minority stockholding under the auspices of the Corporación Financiera Nacional and the extension of credit to targetted sectors through such entities as the Fondo de Promoción de Exportaciones. (7)

In complete contrast to the Peruvian and Ecuadorean regimes of the period was the Banzerato in Bolivia (1971-78) that mimicked some of the characteristics of the bureaucratic-authoritarian regimes of the Southern Cone. The regime of General Hugo Banzer undertook policies

of wage compression, political repression, and an opening to foreign capital. Riding on the economic boom created by oil export, Banzer increased the size of the state bureaucracy and underwrote the expansion of agribusiness in the region of Santa Cruz through the generous provision of credit through state development banks. (8)

While these three military governments did not share much in the way of ideological principles, the historical record points to one important similarity. The Velasco Alvarado, Rodríguez Lara, and Banzer governments all engaged in an aggressive expansion in the size of the state. The buoyancy of the international commodities market, the availability of international credit, and deficit spending provided the financial fuel for the quantitative expansion. Employment in the public sector swelled as did the number of state entities. Along with this quantitative expansion, there was a qualitative shift that thrust the state more directly into the management of the economy. The increased state presence in the economy occurred via the creation of public enterprises and through new efforts at government direction and regulation of market behavior. The shift was especially marked in Peru and Ecuador where there had been only a skeletal structure of state enterprise and a weak tradition of regulation. For Bolivia, Banzer policies were not so much a departure; the proliferation of public enterprises under Banzer was a continuation of the state-oriented economic model implanted

during first MNR governments of the 1950s.

BUSINESS REACTION IN PERU AND ECUADOR

How did business react to these hyperactive states of the 1970s? The rich comparative literature on the political behavior of business provides us with an important rule of thumb on the subject; simply put, businessmen distrust the state. (9) And we can expect expansive states (even when that expansiveness benefits groups in the private sector) to create at least some latent anxiety in the business community since that heightened state power always looms as a potential threat. The specific course of business-state relations is determined by how much that potential threat is translated into real incursions on the autonomy of the private sector; and this, of course, is closely related to the extent to which their interests are represented in policy-making processes. The anxiety within business circles concerning the growth of state power in Peru, Bolivia, and Ecuador was aggravated by the fact that privileged groups had lost their old sway over policy-making institutions. In Peru and Bolivia military personnel replaced civilians in key policy-making posts, while in Ecuador career civil servants took over slots in the military government's economic teams that were previously the province of business leaders. In all three countries, occasional consultations between business groups and military leaders took place. But no formal institution-

nal linkages were created to ensure a steady exchange between the two sets of actors or to replace the other channels of access (e.g. parties, legislature) suspended by the military governments.

In Ecuador and Peru, heightened state power translated into what businessmen perceived as real incursions the rights of capital. For Peruvian capitalists, the most devastating blow came in the form of the Comunidad industrial law that created profit-sharing schemes originally framed to eventually lead to workers' participation in management. In Ecuador, efforts by the Superintendencia de Compañías to force the public sale of stocks of certain types of firms was interpreted as the first step toward more radical Peruvian-style reforms. In both countries, business opposition to reform reflected two types of concerns. Business dissatisfaction with the policy direction of these regimes was based on the belief that the reforms would have deleterious effects (both immediate and future) on capital. In other words, there were objections to the content of policy. But, in addition, there was a more generalized discontent having to do with the possible procedural and ideological precedents being established by the self-aggrandizing state. In short, there was a problem of style in addition to substance. For a variety of reasons (that will be left aside for the purposes of this paper), this more general fear about precedents appeared in its clearest form in Ecuador where business interest groups

across sectors successfully mobilized in the defense of the rights of capital. (10) A comparison of business reaction to the agrarian reform measures in Ecuador and Peru reveals differences in the perceptions and strategies of dominant class actors across these two settings. In Peru, there was no consensus in the private sector on agrarian reform issues and the confiscatory agrarian reform was actually endorsed by the Sociedad Nacional de Industrias (SNI). According to several prominent industrialists, the SNI adopted this position out of fear and with the hope that an acceptance of agrarian reform would stave off reforms in other sectors. (11) In Ecuador, business interest groups representing industry, commerce, and agriculture closed ranks and lobbied heavily in favor of "agrarian reform based on the respect for agricultural property." In other words, Ecuadorean business groups were unwilling to legitimate any threats to private property, even when sectoral interests were not directly affected.

The net effect of these "relatively autonomous" reformist regimes in Peru and Ecuador was that they created the conditions for a renaissance of formal organizations of the bourgeoisie that would come to full fruition in the course of redemocratization. This process has included the creation of new organizations to represent both sectoral and general interests and the modernization and institutional development of already existing interest groups. The enforced absence of political parties from policy-

making under the military regimes made corporate organizations even more important.

In Peru, the associational life of economic elites was altered in the search to develop means to influence policy-making under the military. The legal dissolution and the confiscation of the property of the Sociedad Nacional Agraria (SNA) galvanized the private sector. The originally meek position of the Sociedad Nacional de Industrias (SNI) was dropped in favor of an aggressive stance adopted by its president, Raymundo Duhuarte, who relished confrontations with General Velasco. In an effort to bolster the legitimacy of the SNI as an organization that represented the private sector in its entirety, Duhuarte embarked on a campaign to increase membership in the SNI that brought hundreds of new members onto its rolls. (12) The press became the vehicle used by the SNI in its campaign against the Velasco reforms; comunicados públicos of the SNI appeared in Lima dailies demanding everything from a scrapping of the comunidad industrial to a return to elections. Duhuarte's shift toward direct opposition was supported by other prominent figures of the SNI including Alfredo Ferrand and the Lanata brothers who believed in the need to unite the private sector to hold the line against further reform. Ernesto Lanata and Alfredo Ferrand spearheaded the first failed attempt at creating a single organización de cúpula of the private sector. This was the Unión de Empresarios Privados

(UEP) that came briefly to life in 1978. (13)

In contrast to the SNI, a more accommodationist strategy was adopted by a new organization, the Asociación de Exportaciones (ADEX). Originally created in 1969 as the Comité de Exportadores within the SNI, ADEX was founded as a separate organization in 1973 to represent the interest of industrial and other firms engaged in export activities. According to one of its founders, Alejandro Tabini, political motivations were a critical consideration in the formation of the organization. According to Tabini, exporters needed an organization to act as an "interlocutor" with the government, so as to have input into the policy-making process as the state moved to nationalize strategic sectors of the economy. (14) The SNI was unable to take on this role because it did not represent a complete array of export-oriented firms outside the industrial sector and because of the confrontational style adopted under Duhuarte's direction. This confrontational style had earned the SNI a "derecognition" from the Velasco government by the end of 1972. Forcing the SNI to remove "Nacional" from its title, the military government declared that the organization did not represent the industrial sector after having refused to incorporate representatives from the comunidades industriales into its board of directors. Although the renamed SI continued to function, the withdrawal of its corporate status clearly meant that businessmen interested in maintaining some

institutional dialogue with the government would have to look elsewhere. ADEX became the new link. Because ADEX represented firms involved in export markets, the organization reflected the interests of the modern and dynamic sectors of the bourgeoisie. Duhuarte's campaign to expand SI membership brought an influx of members, but largely from the ranks of small businessmen and artisans. In assessing the associational experiences of the top strata of the Peruvian bourgeoisie, it is important to keep in mind that even with the appearance of ADEX, large industrialists did not desert the ranks of the SI. Rather, both ADEX and the SI formed part of the organizational arsenal that business used in its struggle to limit the scope of Velasco's national revolution. (15) At the same time, the top strata of the bourgeoisie continued to utilize the other formal and informal channels of access to policymakers that remained. The Instituto de Administración de Empresas (IPAE) continued to hold their annual conferences (Conferencia Anual de Ejecutivos) that put the military in touch with business leaders. Some consultative commissions within the ministries continued to function and provided prominent business leaders with another point of entrée. Links between certain firms and the military were maintained by appointments of officers to boards of directors. (16) In short, while relationships between business and the state were rocky under the Velasco administration, there was never a complete cessation of

interchange between the military policymakers and groups within the private sector. But, as Francisco Durand points out, the access enjoyed by groups within the private sector had (including ADEX) was limited and conditional. (17)

In Ecuador, the Rodríguez Lara regime undertook no concerted attack on the representative institutions of the bourgeoisie in the style of Velasco Alvarado's attacks on the SNA and the SNI in Peru. Nonetheless, there were bitter conflicts between the major business associations (most notably the regional Chambers of Industry, Agriculture, and Commerce of Quito and Guayaquil) over specific policies, as well as constant complaints from these organizations over their lack of input into policy-making. As in the case of Peru, the press became the major forum used by these organizations to hound, cajole, and embarrass the regime. But in contrast to the Peruvians, the Ecuadorean business groups demonstrated a high level of solidarity among themselves, often pronouncing collectively on issues in joint statements to the press. The increasing cooperation across organizations was reflected in the creation of a national federation in 1972 that brought the two powerful regional Chambers of Industry together for the first time. At the same time, new specialized producers' associations were being formed. The growing importance of non-traditional export activities and the Andean Pact market was reflected in the foundation of FEDEXPOR, an organization sponsored by several of Ecuador's largest

consumer goods producers.

As in Peru, business organizations in Ecuador were also subject to a suspension of their traditional avenues of influence in the policy process during the reformist phase of military rule. This took the form of a derogation of the voting rights that Chamber representatives exercised on some of the boards of government institutions. The more irregular types of contacts between business leaders and the military continued, however. The Chambers sent delegates to seminars at the Army's Instituto de Estudios Altos, and a high level "summit" conference with private sector leaders and the Rodríguez Lara cabinet was staged in the beach resort of Salinas in 1974.

This distancing of dominant class organizations from state power that military reformers were able to impose had significant effects on the class consciousness of the bourgeoisie. For the first time, important groups of the private sector were marginalized from policy-making, forced to stand outside the inner circles of power. While it may be impossible to assess the net psychological impact of this experience in any definitive way, the testimonies of individual business leaders are instructive and suggest that the experience was a highly traumatic one--and that it was instrumental in motivating business leaders to look for new strategies to reestablish their influence. A former President of ADEX characterized the organizational effects of the period:

Things like the UEP and CONFIEP (business lobby groups) are definitely a response to a fear of a repetition of something like Velasco...there was no union in the private sector during Velasco and Velasco was very clever in a way. He took the private sector by slices. We had the Sociedad Nacional Agraria that was very powerful...And at that time it was more powerful than the SNI. And Velasco said that the object of the revolution was to "break the spine" of the oligarchy-- and the spine was the SNA. And SNI published a communication, saying fine, that agrarian reform was necessary. Of course, after that they came with the comunidades industriales. Industrialists thought they were not going to be touched. But of course, they were...And now we have learned our lesson that we have to be together in the big issues. So the private sector is more aware of these dangers. (18)

Other Peruvian business leaders echoed the above commentary. They pointed to the "slicing" apart of the private sector that was accomplished by Velasco's strategy of isolated reforms, so that the private sector in its entirety was never affected at the same time. Several

characterized the period as a "war" and spoke of the anti-business climate of opinion promoted during the period. In an emotional recollection, Raymundo Duharte expressed the depth of his hostility toward the regime:

He [Velasco] always wanted to takeover the SNI. That was his dream. But he lost and it was a beautiful fight. It cost me exile but it was a frank fight. He was against us and we were against him. The first time I spoke out against the government was in Chimbote and I called Velasco a communist. Everybody thought I would be shot...this provoked the conflict. Velasco at certain times was ready to take over the buildings [of the SNI]. And I was thinking of burning the building myself to prevent him from taking it. I was thinking about buying some gasoline and putting it inside the building so I could do it so they couldn't do the same thing they did to the SNA. They took their furniture. They took everything...their antiques! So we were prepared to burn down the building if they attempted to take it. But the truth is, in that period, there were few businessmen ready to fight. (19)

Ecuadorean businessmen voiced similar sentiments

in reference to the Rodríguez Lara regime. Luis Noboa, the head of one of Ecuador's largest economic groups, labelled it as the "worst government" in the history of contemporary Ecuador, charging that the government was one of "dreamers, ingénues, incompetents, and Bolsheviks who were on a romp to ruin the country." (20)

BUSINESS AND THE BANZERATO

Bolivia under Banzer does not fit neatly into the pattern of business-state hostilities just described in the other two countries. The Banzer regime had no reformist aspirations and, as such, did nothing to alter the modelo movimientista (the state-centric capitalist model established by the MNR). Many of the analyses of the Banzer period identify the private sector as one of Banzer's key allies and as the major beneficiary of Banzer's economic policies. (21) Nevertheless, a simple instrumentalist view of the Banzerato which reduces the state to that of being a direct tool of the bourgeoisie misses the complex and contradictory relationships between the state and business during this period. Banzer's continuation of the modelo movimientista combined with his personalist style of governing created a logic that eventually alienated segments of the private sector from the regime, thereby setting the stage for the search for alternative political formulas by the bourgeoisie that accelerated under the extreme government instability of the

1978-82 period.

With the economic boom provided by oil export, Banzer expanded the size of the already large Bolivian state. Public sector growth under Banzer was staggering. From 1970 to 1974, the number of employees on the government payroll went from 66,000 to 141,000. At least 20 new public enterprises were created to swell the size of the state bureaucracy to more than 200 separate entities. In the 1970-75 period, public sector investment accounted for 75% of the total investment in the Bolivian economy.

(22)

Banzer used this expansion to establish a political base for his regime among the urban middle classes who were highly dependent on state employment. But Banzer was no political institution-builder. Patronage flowed not through insitutional channels (e.g. parties), but through highly personalized patron-client networks. In short, it was a political style that rendered irrelevant "modern" organizations aggregating group interests. Malloy and Gamarra have characterized the system as neo-patrimonial and argued that political decay was the net result.

This neo-patrimonialism extended to Banzer's relationships with the dominant classes and their organizations. Banzer incorporated several top mine-owners into his cabinet, most notably Carlos Iturralde, Carlos Calvo, and Mario Mercado. Yet, this "incorporation" of dominant class interests was highly individualized and revolved

around the close personal relationships that developed between Banzer and his devotees. They became (as they themselves acknowledge) banzeristas. Business associations like the Asociación de Mineros Medianos and the Confederación de Empresarios Privados de Bolivia (CEPB) remained marginalized as institutions from the policy-making process. Cardoso's notion of "bureaucratic rings" may be useful here in capturing the complexity of this phenomenon. As Cardoso notes, individuals with ties to specific economic interests may be integrated into the state bureaucracy and this permits the "inclusion of private sector interests" inside the state. But as Cardoso points out, these rings "are not a form of class organization, and the state can radically disarticulate the pressures on it from civil society by removing the key figures in the state apparatus around whom the ring is centered." (23)

The most important example of the incomplete character of the influence exercised by key fractions of the dominant class under Banzer is illustrated in the conduct of tax policy. With prices rising on the international market, Banzer enacted a tax on the mining sector to capture a portion of the windfall profits. The measure was adopted with the approval of ministers Calvo, Mercado, and Iturralde--all of whom had important investments in mining companies. Although originally enacted as a temporary measure, the tax was kept in place

for seven years, long after the price boom was over. This turned privately owned mining into one of the most heavily taxed activities of its kind in the world. And despite the presence of important mining investors inside the government and the constant appeals from the Asociación de Mineros Medianos, the Banzer government maintained the tax.

In interviews, business leaders of the mining sector were quick to make the distinction between the participation of prominent mine-owners in the Banzer cabinet and the influence of mining as a sector in the policy process. One of the Banzer ministers clearly recognized the phenomenon:

Many individuals from the private sector had positions in the Banzer government. I have been criticized by my own sector for my role in the Banzer government. As a sector, medium miners were not influential in the Banzer government. I was. (24)

In much the same vein, a long-time leader of the Asociación de Mineros pointed to the failure of individuals to function as sector representatives:

Persons from our sector, when they assume positions in the government, act like Caesar's wife (i.e. not only are they honest, but they

have to demonstrate they are honest). Sometimes they assume incommunicative attitudes vis-à-vis the sector. There was a time when someone from our group was the Minister of Finance. And there was a matter that we were having problems with, and we could never talk to that minister. He would not talk with us. I have here a black book of actions taken against our sector when members of our sector participated in government. The famous additional tax that Banzer created came with the signature of Carlos Iturralde on it, a well known mine-owner. So we did not have influence under Banzer. (25)

Thus, the individual incorporation of prominent members of the private sector did not translate into a reliable avenue of corporate representation; and class leaders clearly perceived this to be the case. This is not to argue that the policies of the Banzer government were, in any broad sense, unfavorable to the private sector or even the mining sector per se. Banzer's tough labor policies and his anti-nationalization stance created the "stable investment climate" sought by the private sector. The point is that, even under a pro-business government like that of Banzer, the access and influence of powerful groups in the private sector was conditional and contingent on the inner "logics" of the regime--logics that emerged

from political style and/or the economic model at hand. In the case of Bolivia, Malloy and Gamarra have characterized how Banzer's highly personalized extension of the modelo movimientista naturally produced strains in the relationship between the private sector and the state:

...while the state in a real sense guarantees the possibility of capitalism by "disciplining" and imposing the costs of capital accumulation on labor and popular sectors, its own maintenance needs inevitably bring the state into conflict with the capitalist sector over the issue of the appropriation of the surplus produced. Moreover, the "irrationalities" introduced into the behavior of the state by the logic of neo-patrimonial rule create problems for the private sector because they introduce unpredictability into the system and raise the cost of doing business in a variety of ways....In a context like Bolivia, neo-patrimonialism means that the state becomes a predator, as the patrimonial ruler and his ever growing entourage prey on society at large. (26)

The business community of the central Andes closed the decade with an extremely mixed scorecard of economic gains and political losses. While all three of the military regimes discussed above were interested in

underwriting the growth of certain pockets (both regional and sectoral) of local capital, policies of preferential treatment often engendered dissatisfaction among businessmen "left out" of the economic model. Moreover, preferential policies via tax incentives and credit were not sufficient to defuse private sector resistance to those policies that businessmen perceived as instances of over-regulation by the state. In all three cases, the forces in civil society seemed progressively overshadowed by a larger and more demanding state--a state out of the direct control of the privileged classes. It was within this context that dominant class organizations turned their attentions toward democracy as a means to reopen the state to interest group politics.

BUSINESS AND THE TRANSITION

The relative weight of business organizations in structuring the mechanics of the transition differed and reflected the distancing that had taken place between these organizations and the military. In Ecuador and Peru, business organizations were secondary to political parties which were designated by the military as the intermediaries of the transition. In Ecuador, the Chambers of Production were consulted by the interim military government of Admiral Poveda Burbano during the public diálogos held with groups and parties in 1976 to discuss different legal options for the transition. But the Chambers' complaints

about inadequate representation on the three civilian commissions charged with drafting constitutional and electoral law fell on deaf ears, as did their objections to one of the constitutional options which extended the franchise to illiterates, eliminated functional representatives in the legislature, and provided for a "communitarian" sector of the economy. (27) Outraged by the design of the plebiscite of 1978, the Chamber of Industry of Guayaquil sponsored a protest "null vote" campaign. It was unsuccessful and the transition proceeded along the lines dictated by the military.

In Peru, the transition via Constituent Assembly transferred the bulk of the responsibility to the professional political class of party leaders, leaving business interest groups without any formal role in the determination of constitutional structure. (28) But business organizations were not completely frustrated in their search for representation. While the succeeding military governments in Ecuador and Peru maintained a high degree of control over the mechanics of the transition, they were ready to let business take a directive role in regard to macro-economic policy-making. (29) Both the Poveda Burbano (Ecuador) and the Morales-Bermúdez (Peru) governments embarked on more orthodox lines of economic and social policy and adopted a conciliatory stance toward the private sector. A former president of ADEX described the opening to the private sector under Morales Bermúdez:

Morales Bermúdez called private sector leaders together and said to us, "I want you to work for your country and help us get out of the crisis. He invited presidents of the institutions representing the private sector to get together. So for nearly three months we had regular meetings in the Palacio de Gobierno. This was at the end of '77 and the beginning of '78. It was very intense work. We had to change the economic philosophy of the country. The law of the comunidades industriales had been very strict and it was modified...The law of estabilidad laboral was also modified. They eliminated the tribunal of the comunidad industrial. And they started to create incentives for different economic sectors. I worked on the Ley de Promoción de Exportaciones. (30)

The commitment to transition, the pro-business stance of the interim military regimes, and good conditions in the international market lulled business organizations in Peru and Ecuador into temporary quiescence. As the transition unfolded, parties became the focus of dominant class attention while business groups pulled back to await the election results.

In Bolivia, the private sector took a more directive

role in designing the mechanics of the transition process. The Confederación de Empresarios Privados de Bolivia (CEPB), the peak association that grouped together all sectoral and regional business associations, became one of the key organizational architects of the transition. The CEPB, along with other important groups in civil society (especially the Catholic Church and trade unions), were able to assume leadership roles in the transition because of the extreme state of disarray within the Armed Forces. Rivalries inside the military coupled with erosion of professionalism under the corrupt regime of General García Meza left the Armed Forces unable to devise a coherent political formula to halt the dizzying governmental instability of post-Banzer period. By 1982, the Bolivian business elite faced a qualitatively different dilemma from that of their Peruvian or Ecuadorean counterparts. For the Bolivian bourgeoisie, the question was not so much one of how to alter a regime type, but how to stave off the complete disintegration of political order. Inside the CEPB, the search for political alternatives began with a small informal group of prominent business leaders, known as the grupo consultivo, who met for brainstorming sessions over lunch. Grupo members represented the most important financial and industrial firms in the private sector. The grupo was, in effect, the cream of the Bolivian private sector and included its most sophisticated and savvy ideologues. Within the grupo, a consensus emerged that the

reestablishment of democracy was the route to reestablish order. A member of the grupo described the calculations that lead to the consensus:

We always looked at the military as an important force to save use from the extreme leftist groups in this country. And the less prestige they have, the less we could count on them...And we knew that this meant that the longer they [the military] stayed, the bigger the chances that the extreme left would have in getting in the country with a coup. And when that happened we thought it would be very hard to remove them. They would take measures like Nicaragua and it would be hard for us to take them out. So we could not allow the prestige of the military to suffer, so we started a campaign to go into a true democratic process...We decided to come out with a document, ¡Democracia Ya! And this was the first document that came out openly for such a position. (31)

The proposal contained in ¡Democracia Ya! was to return to civilian rule by recalling the 1980 Congress, which had been elected but never installed due to the García Meza coup. (32) According to electoral law, the Congress could then designate the new executive since none

of the three 1980 presidential candidates had won a majority. Given the constellation of forces in Congress, it was clear that the reconstitution of the 1980 Congress would bring the UDP ticket of Hernan Siles and Jaime Paz Zamora to power. The trade union confederation, Central Obrera Boliviana (COB), and political parties endorsed the proposal.

The CEPB's sponsorship of this plan to bring what would certainly be a left of center government to power reveals much about the character of the political crisis; the desperation of the private sector for a rationalization of politics coupled with a recognition that a rightist alternative was not possible, given the exhaustion of the military and the looming power of the COB. Members of the grupo consultivo realized that their support for the installation of the Siles government was a calculated risk-- but one worth taking if the Siles government could firmly institutionalize a democratic process and establish a modus vivendi with the COB. Neither occurred. Rather than alleviating the decay of political authority, the Siles government put in bold relief the extent to which the state had lost its capacity to order Bolivian society. But the torturous course of the Siles government was to have unexpected political pay-offs for the Bolivian bourgeoisie. In the attempt to cope with what the private sector conceived as the desgobierno of Siles, the CEPB grew and its leaders moved to develop a new political project that

revolved around neoliberalism and Banzer's political party, the Acción Democrática Nacionalista (ADN). As in the cases of Velasco Alvarado in Peru and Rodríguez Lara in Ecuador, the adverse political climate of the Siles period proved to be a catalyst for heightened dominant class consciousness and organization.

LOBBYING THE DEMOCRATIC STATE IN THE 1980S

With the reinstallation of democratic regimes, business organizations were poised and ready to reenter the standard play of interest group politics. Certainly, they appeared well prepared to engage in the pressure politics of a pluralist system. The suspension of party politics under the military regimes made business organizations into more than just a refuge for economic interests. Military rule brought an unprecedented politicization of these organizations. (33) At the same time, economic changes during the period (e.g. the growth of non-traditional exports, and the increasing importance of finance capital) altered the composition of dominant class economic interests. The end result of this combination of politicization and economic change was a modernization and maturation of bourgeois organization that, in the democratic period, spread across corporate bodies and extended in some cases to right wing parties.

One dimension of this modernization of bourgeois organization is the increasingly technocratic character of

business associations. Leaders of business organization have made efforts to develop technical expertise inside their organizations for the purpose of engaging in more effective lobbying in macro-economic policy-making. To deal effectively with the técnicos inside the state apparatus, business organizations are developing their own technical corps and importing expertise from abroad when necessary. At the same time, there are internal efforts to extend this new technical sophistication to group members.

The best example of this phenomenon in the case of Peru can be seen in the behavior of the Sociedad Nacional de Industrias and ADEX. In 1980, the Instituto de Estudios Económicos y Sociales (IESS) was founded as a new entity within the SNI. The idea behind its creation was to build a professional staff of economic experts capable of formulating "economic" responses to government policy affecting industry. The patron and founder of the IESS was the SNI's president, Ernesto Lanata Piaggio, one of business' most energetic organizers. Lanata explained the reasons underlying the creation of IESS:

One of the preoccupations we always had was that when there was a new law or decree approved that was unfavorable to the private sector we only responded through comunicados públicos, and they lacked a thorough economic analysis.

The responses were a function of our experiences

as industrialists. And we realized that we were not presenting a serious analysis. We were responding too empirically, and not with sufficient economic reasoning. (34)

In addition to creating their own in-house technical staff, the SNI also mobilized professional economists by contracting studies and organizing conferences. According to Lanata, the SNI "bought" an alternative econometric model from the Economic Intelligence Review of New York city to counter the IMF model that was adopted by President Belaúnde's Minister of Finance, Manuel Ulloa, and used to justify the draconian reduction of industrial protection in the early 1980s. (35) The new technocratic thrust in the SNI was matched with efforts to educate the SNI membership on aspects of economic policy and political issues. The publications of the IESS provide basic economic data as well as stake out the position of the private sector on political questions. The major project of IESS, Proyecto Perú, is intended to be a comprehensive study and critique of the Peruvian economy that will guide SNI leaders and educate its members. Lanata plainly views the creation of class consciousness to be one of the tasks of his technical corps in the IESS:

With all the information that is directed to SNI members (by IESS), we are looking to form a

consciousness about our problems and a uniform concept of socio-economic problems--so that industrialists in their activities and social events don't say contradictory things...In this way, one forms a national consciousness among industrialists. (36)

Like the SNI, ADEX also engages in this mobilization of professional economists and "technical" lobbying. In their battles with the Belaúnde regime over the reduction of export incentives, ADEX contracted a study by the Boston University economists, Daniel Schydowsky and Shane Hunt, to defend their position. (37) Their educational efforts within their membership have included the creation of their own ADEX-run junior college in 1982, the Instituto Superior Tecnológico de Comercio Exterior, that gives courses in international trade.

In Bolivia, the technocratic bent of private sector associations took a fascinating turn that spilled over into parties. Some of the key figures of the grupo consultivo of the CEPB (who were also ADN members) came together in early 1985 for the purposes of drafting economic policy for Hugo Banzer. Under pressures from parties and the CEPB, the Siles government had agreed to speed up the timetable for presidential elections and scheduled them for July 1985. Banzer, along with Victor Paz Estensorro, was an early frontrunner. The prospect of

a new Banzer government led to some intensive soul-searching among banzerista businessmen, many of whom had worked as técnicos under the Banzer military government. Since some of the key members of this group were ex-Harvard students, Harvard was chosen as the site for forging a consensus on an economic model for what they believed would be the upcoming Banzer government. Under the auspices of the Kennedy School, Banzer and this elite group of banzeristas met with U.S. economists in a seminar on the Bolivian economy. (38) The most influential economists in these meetings was Jeffrey Sachs, a Harvard specialist in hyperinflation. Sachs later came to Bolivia at the invitation of the ADN to put the "finishing touches" on the model right before the July election. The program was neo-liberal in inspiration, prescribing salary austerity, budgetary reductions, the opening of the Bolivian economy, and a drastic overhaul in public sector enterprises. Although Banzer was the leader in the overall popular vote, the elections were thrown into the Congress and Victor Paz Estenssoro of the MNR emerged as the winner. Yet, the Paz victory did not kill the "Harvard Boys'" economic model. There was, as one high ranking banzerista put it, a "transfer of technology" from Banzer's ADN to the MNR. (39) "Independent" members of the Harvard group acted as a conduit between neoliberals and Paz. Disappointed with the work of his in-house MNR economic team, Paz undertook frantic efforts in August 1985 to devise an

economic program. For these purposes, he set up an "emergency" economic team that included two members of the Harvard group. (40) After 17 days of day and night sessions, the team emerged with an austerity plan that paralleled the ADN Harvard program. The measures were issued in Decree 21060. Paz even hired Jeffrey Sachs to act as an advisor on its implementation. Frustrated by their marginalization from policy-making and upset by Paz's appropriation of the ADN program, the in-house MNR equipo created their own research institute to formulate an alternative economic program, the Fundación Para El Desarrollo Nacional.

The adoption of this technocratic approach by business organizations has had an important impact on the nature of politico-economic discourse--the language of interests is forsaken for the language of economic models. As ideological constructs, economic models provide an appealing consistency and coherence. While the adoption of the language of economic models by business organizations may indeed bolster their lobbying capabilities and enhance their positions in the eyes of state técnicos, it also sets the stage for internal conflicts in business organizations, especially for heterogeneous peak associations. Given the enormous heterogeneity of private sector interests, they are not easily accommodated within the framework of a single coherent economic model. As such, the adoption of the language of economic models can aggravate the strains

inside organizations charged with representing the interests of the private sector in its entirety. In Bolivia, discord in the private sector over Paz's neoliberal economic model was reflected in internal conflicts in the CEPB. Fernando Romero, a member of the economic team that designed D.S. 21060, resigned as President of the CEPB in wake of criticism from industrialists who were angered by the provisions to dismantle protectionism. Attempts to create umbrella organizations in Peru and Ecuador attest to the difficulties of aggregating private sector interests and reaching a consensus on the economic policies the groups should favor. In 1981, an Ecuadorean Consejo de Cámaras y Asociaciones de la Producción was created but never functioned. The organization never got beyond the declaration of general principles--i.e. that the state should respect private property and provide for private sector input into policy-making. (41) In Peru, the Confederación Nacional de Instituciones Empresariales Privadas (CONFIEP) was founded in 1984, as the successor to the failed UEP. (42) It remains to be seen, however, whether CONFIEP can arrive at any real internal consensus on economic policy and assume a role as a key institution affecting the policy process.

In assessing the development of the associational practices of capitalists in the democratic period, it is important not to lose sight of the difficulties posed by

the heterogeneity of capital in the process of interest representation. Certainly, this heterogeneity of interests is nothing new. In all three countries, economic policy has always been a battleground for different fractions of capital--e.g. exporters v. importers, importers v. import-substituting industrialists, etc. In Bolivia and Ecuador, these clashes coincide with tensions between regional groups of capitalists (La Paz v. Santa Cruz, Quito v. Guayaquil). But, considering the economic changes these countries underwent in the 1970s, there is reason to believe that the structure of cleavages in the private sector in these countries (and the rest of Latin America) is becoming even more complex. The growing importance of finance capital imposes yet another cleavage, opening a breach between groups of capitalists engaged in production and highly dependent upon the state and those more "predatory" financial/speculative groups of the bourgeoisie. (43) These competing economic interests undermine class unity in reference to economic models and bifurcate capitalists into statist and anti-statist. This divide (both material and ideological) is more profound than the kinds of sectoral conflicts that these classes have previously experienced, since it involves a fundamental clash as to whether the state should act to promote accumulation or de-accumulation. (44)

Complicating the process of interest representation is the domination of these economies by diversified grupos

económicos whose interests may span across both "productive" and "predatory" activities. (45) The importance of these economic groups raises the extremely complex question (one that cannot be adequately treated in this essay) of whether the formal interest group structure accurately expresses the interests of capitalists--or whether it misleads us by reflecting a highly fragmentary and static picture of those interests. In other words, the objective and subjective interests of capitalists in these economies may be more fluid and flexible than the formal interest group structure suggests. Thus, while the ability of business organizations to act as effective lobbyists in the policyprocess is enhanced by the technocratization of their organizations, these organizations may be increasingly wracked by rationality problems as bourgeois interests themselves become more contradictory. The current controversies inside the Bolivian CEPB over D.S. 21060 are illustrative of the problems involved in forging a consensus within a bourgeoisie on an economic model.

EXCLUSIONARY POLICY-MAKING

So far, the discussion has focused on the technocratization of the bourgeoisie and the implications of the discourse on economic models for organization. These phenomena, of course, are not confined to the ranks of the bourgeoisie. Policymakers on the economic teams of these democratic governments are themselves técnicos who speak

the language of models; and business organizations undertook their own technocratization as a defensive reaction against the growing presence of this technocratic corps within the state. In all three countries, the legal framework set out in the constitutions adopted in the transition centralized power in the executive branch and legislatures were assigned extremely limited powers in regard to economic policy-making. (46) As such, decisions on the economy are concentrated in the office of the President, and by extension, his economic team in the cabinet. The predominance of this technocratic corps has important implications not just for the content of economic policy, but also for the style of decision-making that is evolving. What is striking in our project interviews with members of economic teams is their belief that economic policy-making should be "sealed off" from pluralist politics. Economic team members described the ideal circumstances for policy-making as being a situation in which : 1) there is a much reduced number of participants in the deliberations; and 2) no public scrutiny of the formulation process. In short, groups in society (business, labor, and parties) are regarded not as actors to be consulted or negotiated with in the formulation of economic policy, but as potential disrupters of rational and coherent policy-making. One economic team member in Ecuador described the closed character of the process:

We four (the economic ministers and the President) exclusively ran economic policy. The cabinet and ministeries were consulted only on very specific problems. They were informed only after we made decisions. So there were no debates within the cabinet on economic policy. Unfortunately, Latin American culture is such that secrets are not well kept. We could not subject economic policies to great debates because this would have weakened our ability for implementation. (47)

The decision-making process surrounding D.S. 21060 in Bolivia provides an excellent example of this stealthy approach to policy formulation. Under the supervision of President Paz, the decree was hammered out by a group of six advisors that included two businessmen, two economists, and two MNR politicians. Other than outside consultations about certain technical questions, the economic team did not solicit input from any organizations or groups. Prior to the public announcement of the measures, Paz sought the approval of the cabinet in a dramatic 24-hour long meeting. To ensure the secrecy of the matters under discussion, Paz locked the cabinet members in a meeting room and disconnected the phones. (48) All this was to guarantee that the measures would take the public by surprise and make organized protest against them more difficult. The COB's resistance to the measures was

met with Paz's declaration of a state of siege and the imprisonment or exile of key labor leaders. By his tough actions, Paz demonstrated his commitment to keeping intact the neoliberal model by making it into a non-negotiable item--one off limits to the pulls and pushes of pressure politics even if that implied a suspension of civil liberties and democratic politics.

Business organizations, like labor, find themselves increasingly marginalized from the economic decision-making process that is consciously crafted by state técnicos and presidents to be exclusionary. This marginalization appears to be particularly acute during "crisis" situations that involve the imposition of austerity measures, as the Hurtado and Paz governments in Ecuador and Bolivia demonstrate. But this exclusion is not based simply on a lack of access to economic team members by business leaders. The physical isolation of economic teams from societal groups during "crises" is both a reality and a metaphor for a deeper estrangement. Once a team adopts an economic model, a mental curtain seems to drop over the team members, making them relatively impervious to the demands of groups that threaten the model's coherence.

Leaders of business organizations in all three countries pointed to what one informant characterized as the problem of "access without receptivity" in democratic regimes. While democratic regimes are typically perceived as opening channels of influence for business organiza-

tions, this access does not necessarily translate into the policy outputs demanded by these organizations. The case of Peru during the Belaúnde government is the best example of how an economic team can be highly accessible to business groups, but at the same time remain impermeable and disdainful of interest group jockeying.

The design of Belaúnde's economic program was put in the hands of the government's first Minister of the Economy, Manuel Ulloa. Experienced in international banking, Ulloa was a monetarist and surrounded himself with young technocrats of the same orientation such as Roberto Abusada who masterminded the drastic tariff reduction policies from his post as Vice-Minister of Commerce. Ulloa's economic program, with its inspiration in monetarism, was designed to accomplish two things: 1) reduce domestic inflation by "burning up" monetary reserves through a liberalization of the economy; and 2) ensure a continued flow of international credit to the Belaúnde government to finance Belaúnde's pet projects of public construction. The flow of international credit was facilitated by the adoption of a neoliberal model, the preferred prescription of the International Monetary Fund. With this commitment to neo-liberalism firmly guiding the economic team, the Sociedad Nacional de Industrias failed in their repeated lobbying efforts to modify the anti-protectionist measures. A former president of the SNI explained the group's inability to influence the economic

team:

We just never got to them. They were very cordial to us. We had access to the ministers. They would listen to us at meetings. But then we would leave and their advisers would come in (and they were very dogmatic) and they would get their point of view across. No matter how many meetings we had where we presented our point of view, the dogmatic técnicos and economists would have more influence. (49)

Even a traditional form of influence, the use of personalistic ties to policy-makers, did not generate any understanding between the economic team and the affected groups. A former president of ADEX, who battled with the economic team on the reduction of export incentives, pointed to the ineffectiveness of that route:

There was good access under Belaúnde. The ministers were good friends. Ulloa and Kuzcinsky were friends of mine. We could talk, but they really had their own ideas. They listened to what you said, but they wouldn't do what you asked. The personal contact was very good, but in the end they were free trade monetarists. (50)

The consensus within the economic team and their

commitment to orthodoxy left industrialists without allies inside the institutional machinery governing economic policy. The ability of the Ulloa (and later Rodríguez Pastor) economic team to withstand the pressures emanating from civil society, however, was more than just a product of their inflexibility. Ulloa's economic team had two powerful allies in their conflict with domestic capitalists--President Belaúnde and the IMF. According to business leaders, Ulloa enjoyed the complete confianza of Belaúnde. It was this confianza and Belaúnde's reliance on Ulloa's skills in seeking international credit that made Belaúnde himself resistant to the claims of the SNI and ADEX. Furthermore, Belaúnde's lame duck status reduced the personal political costs of the implementation of the program. With no possibility of a second term, Belaunde could afford to ignore the claims of domestic businessmen and ally with the IMF.

Belaúnde's behavior suggests that the personal priorities of presidential leaders may also play an important part in affecting the influence of business organizations in the policy process. Like Belaúnde, Victor Paz Estensorro cannot run for a second successive term under Bolivia's current constitution; and given his advanced age, it is unlikely that he will ever return to the presidency. Freed from immediate electoral calculations, both Belaúnde and Paz appeared to have played out a "personal-historical" project through their economic

policies. Belaúnde saw his legacy as that of being Peru's great architect and builder--and he was willing to support an economic model that could provide him with the international credit that he needed for his public works campaign. (51) In Bolivia, Paz came to see his historical mission as that of dismantling the over-developed and nearly feudal state enterprise sector that was a product of the MNR Revolution of 1952 which he led. And the neoliberal economic model embodied in D.S. 21060 became his weapon. In the words of one of his economic ministers, Paz came to see himself as "Louis XIV fighting the Duke of COMIBOL." Recognizing his central role in Bolivian history, Paz argued to his advisors that he was the only politician capable of changing the Bolivian economic model. (52) With their sights on their own historical records rather than the next elections or the fate of their parties, Belaúnde and Paz were unwilling to respond to what appeared to them to be the more selfish and short-term demands of domestic interest groups. Instead, they opted to join forces with external allies in the international financial community to implement the neo-liberal programs that coincided with their personal priorities.

THE MARGINALIZATION OF PARTIES

This coincidence of a presidential personal-historical project with a neoliberal economic model backed by powerful external actors proved to be a strong

combination in Peru and Bolivia--one that drew an impermeable mental curtain around the administration's decision-makers. Even the party system could not function as an indirect avenue of influence for business organizations. Pressures from their respective parties to alter the economic programs went largely ignored by Belaúnde, Paz, and their economic teams. A high ranking leader of Belaúnde's Acción Popular (AP) described the cool relations between the party and Prime Minister Manuel Ulloa:

Ulloa never took into account the opinions of people from his party--not from me, not from Alva, and not from the other party leaders... There were meetings of AP leaders interested in trying to change economic policy where they tried to show Ulloa what his errors were. We got together every week and invited Ulloa because he was also a senator from the party--and many times he didn't come to the meetings. But the few times he did come, we told him very clearly that his economic policy was mistaken...And he just persisted in his policy. (53)

For Peruvian business organizations, the marginalization of AP party leaders from decision-making turned the party into an ineffective vehicle for the representation of

business interests. AP Senator Javier Alva attempted to mount a technical lobbying effort on behalf of SI and ADEX, but failed. In 1981, while he was president of the Senate, Alva organized a study group charged with preparing a comprehensive technical critique and a list of alternatives to Ulloa's policies. The group included AP leaders, economists, and representatives of the SNI and ADEX. The result was a document entitled "Informe sobre la situación económica" which recommended restrictions on the opening of the economy to imports, a halt in the spending of monetary reserves, and lowering interest rates. Alva presented the study to Belaúnde. But Belaúnde's reaction to the study indicated how tightly Belaúnde's own mental curtain had been drawn. One member of the study group recalled:

Belaúnde asked for a meeting with me to discuss the study. I talked to Belaúnde from six to nine at night and when I left that night I was convinced that he didn't understand anything that I had said to him. Because his parting words after this long conversation were..."don't attack Ulloa so much. He has good intentions..." (54)

The economic decision-making process of the government of Osvaldo Hurtado in Ecuador was marked by some of the same stylistic qualities and external alliance structure just described, although it differed in content

from the neo-liberal models of Belaúnde and Paz. In anticipation of the renegotiation of Ecuador's debt with the IMF, Hurtado took standard stabilization measures in 1982-83 (devaluation, reduction of government spending, etc. But these measures were not accompanied by the brusque opening of the market to imports. In their theoretical approach to policy, Hurtado and his team were not wedded to any particular school of economics. In contrast to the Ulloa team in Peru that was dominated by "Chicago boy" technocrats with experience in international finance, the Hurtado team was more broadly representative of the interests at play in the Ecuadorean private sector. The Minister of Finance, Pedro Pinto, was a long-time industrial leader and owned a large textile firm. José Correa, the head of the Junta Monetaria, came to his post with experience in banking and diplomatic circles. Abelardo Pachano, director of the Banco Central, was a trained economist. Hurtado himself was a well-known intellectual and university professor of political sociology. In practice, this eclectic team formulated policies that were highly favorable to the private sector and did not impose clear costs on particular groups of domestic capitalists as did the neoliberal model. Despite these favorable policies, however, the Hurtado administration was subject to severe criticism by business organizations and this criticism was, in part, related to the consciously constructed insularity of the administration.

Hurtado firmly believed that economic decisions, especially in the context of the debt crisis, had to be closed to the pressures emanating from groups and parties. Moreover, Hurtado's undisguised disdain for the traditionally "privileged position" of the Cámaras (Chambers of Production) in economic decision-making was such that he set out to make the executive branch as autonomous as possible. According to Hurtado, his was the first administration in the history of Ecuador in which "the Cámaras couldn't pick up the phone and give the president orders." (55) Thus, even though the economic team was generating pro-business policies, the leaders of business organizations found themselves effectively shut out of deliberations on the economy.

Parties, including Hurtado's own Democracia Popular (DP), suffered the same fate as business organizations. Hurtado did not open up economic policy to internal debates or discussions within the party. From Hurtado's perspective the marginalization of the Democracia Popular was justified for a number of reasons: 1) there was no technocratic stratum within the party capable of engaging in serious economic deliberations; 2) since Hurtado had not been elected to the presidency (he succeeded upon the death of Jaime Roldós) and the DP held only nine seats in Congress, Hurtado needed to design policies that would create broader bases of support and not be identified with a tiny minority party; and 3) the lack of direct

participation by other party leaders, especially in the stabilization plans, might transfer the political costs to Hurtado himself and mitigate the electoral effects of the austerity program for the party. The net result was, as in the cases of the Belaúnde and Paz governments, the freezing out of the government party as a channel into the administration.

On the whole, an exclusionary approach to participation in economic decision-making emerged in the middle Andean democracies of the 1980s. This exclusionary style marginalized business organizations, trade unions, and political parties from direct participation, and even sometimes included the suspension of informal consultations. The notable exception was the government of Hernan Siles in Bolivia (1982-85). Coming to power with an extremely heterogeneous coalition, Siles adopted a policy-making style that was highly consultative in relation to his coalition parties of the UDP and the labor organization, the COB. One of his economic ministers described Siles' attitude:

President Siles maintained the idea that he would not act without a consensus, especially on economic policy...The reigning myth was that the crisis could be solved by an agreement with the COB...Siles lived with the permanent illusion of an agreement with the COB...But we went on with meetings with the COB and

it was easy to see that there was no consensus within the COB either. (56)

Siles' opening of the decision-making process went so far as to include the offer of co-gobierno to the COB, i.e., the institutional integration of the COB into the cabinet. Such an arrangement had taken place once before, during the radical phase of the MNR government of 1952. The COB refused the offer, but Siles' legitimation of the COB as the key institutional consultant enhanced the COB's capacity to effectively initiate changes in policy as well as exercise a veto. The analogous organization of business, the CEPB, never came close to the official status afforded the COB to oversee economic policy. This uneven opening of the policy process to social actors produced predictable results. The COB used its power to force salary hikes, and left-wing ministers attempted a partial assault on the private sector, especially financial groups. (57) While the policies did not produce the results expected by these ministers, the private sector was alarmed by what they saw as the surrendering of economic policy-making to the extreme left. The CEPB responded by a high profile attack on the Siles administration from the outside, using the media as a forum. Once this confrontational triangle was in place--COB, CEPB, and Siles administration -- the social and political stalemate became so profound that the government became incapable of

implementing any economic policy and staggered from the announcement of one economic paquete to the next. (58)

Notwithstanding the differing partisan origins of the democratic regimes of the region, the attempt by technocrats and presidents to exclude business from the formulation of economic policy was visible in all three polities in the 1980s. The results of this exclusion varied. Sometimes exclusion brought immediate economic costs for fractions of capital left out of the deliberations, while in other cases the costs of non-participation were more political and even psychological. In the cases of the Belaúnde and Paz governments, the adoption of neoliberal economic models threatened the position of domestic industrialists. In the case of the Siles government, the private sector was able to successfully maneuver through hyperinflation and desdolarización via speculation. Nonetheless, the Siles government's toleration of the militant COB created high levels of uncertainty about the future for local capitalists. In the case of the Roldós-Hurtado administrations, business organizations were uneasy about the lack of representation more than the content of economic policy itself. The question of representation continues to haunt the private sector in all three countries--and it is these past experiences of exclusion (both in the military and democratic periods) that motivate the calls for concertación and a

renewed interest in parties.

CORPORATISM AND ELECTIONEERING

That the new democratic regimes of the 1980s opted to maintain and resurrect certain traditional forms of corporatist representation adds even more irony to the bourgeoisie's difficulties in penetrating and influencing economic policy-making. The old-fashioned incorporation of representatives of business organizations into entities within the executive branch was continued in Peru and Ecuador. (59) In Peru, the integration of business leaders takes place largely through the system of consultative commissions. Typically, these commissions are created to deal with specific problem areas and are constituted by representatives from the relevant ministries and business organizations. The trade (Comité de Comercio Compensado) and tariff commissions (Comisión Nacional de Política Arancelaria) are examples of such arrangements. In Ecuador, business groups are assigned seats on the boards of directors of such organisms as the Junta Monetaria, the Social Security Institute, and the Industrial Development Center.

From the perspective of the bourgeoisie, the persistence of such arrangements can be as frustrating as they are useful. While this quasi-corporatism does provide some institutionalized entrée into the executive branch for these groups, the power of business organizations inside

these entities is limited by their minority status; ministerial representatives typically outnumber business representatives. Moreover, apart from the power problems that business representatives experience inside the entity, there lies the larger problem of the lack of influence that these commissions/boards have on the policy process within the executive branch. A number of Peruvian business leaders characterized commissions as mechanisms that are used by the executive to "bury" a problem--a commission is created, members are appointed, and the commission never meets. Or, if it does meet, its recommendations are ignored. (60)

In short, the persistence of these quasi-corporatist arrangements has not effectively staved off the shift toward the centralization of macro-economic decision-making by economic teams nor does it substantially erode the isolation and autonomy of these teams. What these arrangements do allow for when they function, however, is fragmented and highly specific input into some decisions by business organizations, while effectively "roping off" macro-economic policy for the economic team. Notwithstanding the limitations on representation and influence that are part of these relations, the maintenance of the trappings of corporatism carries with it an important ideological effect--i.e. the arrangements legitimate corporatist formulas of representation and keep such options open to actors in their search to gain control

over the state. As such, the creation of corporatist structures that would endow business organizations with real power is a key theme in the discourse of these organizations and a vital part of their conceptual picture of how business-state relations should be structured under democracy.

The country in which the demands for corporatism have crystallized in clearest form is Peru. The notion of concertación surfaces frequently in the rhetoric of business leaders and in the official publications of the organizations. (61) The business community's enthusiastic adoption of the notion of concertación can be traced to at least two immediate factors: 1) the highly traumatic character of the Velasco reforms and fears of a repetition of this style of regime; and 2) the apparently poor (at least in the near future) electoral prospects for the self-proclaimed party of the right, the Partido Popular Cristiano (PPC). Both memories of the past and fears about the future are at play in the search by Peruvian capitalists for stable and institutionalized relationships to the state. The formation of CONFIEP in 1984 was part of this business push for the development of institutionalized decision-making involving the private and public sector. To achieve such an arrangement, private sector leaders realized that it was essential to create a single organization that would act as the primary negotiator vis-à-vis the state. One of the important peculiarities in the

Peruvian discussion of concertación is the emphasis it places on the development of agreements (políticas concertadas) between the state and business. This contrasts with the Western European notion of concertation which includes labor as a party in macro-economic decision-making along with business and the state. Labor is sometimes, but by no means frequently included by business leaders in their discussions of políticas concertadas. For some of Peru's top ranking business leaders, the essence of concertacion lies in the tough process of first forging a consensus within the private sector on policies and then reaching an agreement with the state. (62) The absence of labor participation in business' notion of concertación may be indicative of how exclusionary their ideal of the policy process is. Survey results point to similar exclusionary tendencies in the case of Ecuador. In a survey administered to 43 top executives of the largest industrial firms, 56% identified the private sector and the state as the groups that should make economic policy; only 26% included labor as a legitimate participant in the process. (63)

The inability of Peruvian capitalists to directly take hold of the democratic state through elections is a powerful motivation underlying the calls for concertación. On the whole, the Peruvian business leaders interviewed for this study were pessimistic about the prospects for a future victory by the staunchly pro-private sector party,

the PPC. Thus far, the PPC has turned in poor electoral performances. The party polled 9.6% of the vote in the 1980 presidential election and 11% in the 1985 contest.

In terms of its social composition, the leadership of the PPC is drawn exclusively from the private sector. In a survey of the 1980-85 legislature, 100% of the PPC congressmen reported that they held top posts in industrial or mining firms. (64) The survey findings concerning consumption, life-style, and patterns of social interaction reflect the upper-class character of the PPC in contrast to the more mixed social composition of other party leadership. The ideology of the PPC mirrors the character of the leadership; the PPC is critical of state intervention into the economy and advocates the institutionalization of relationships between the state, labor, and capital through corporatist structures. But despite the ideological and social affinity between the PPC and the business community, the electoral weakness of the PPC means that businessmen do not regard the party as a significant instrument for taking control or exercising important influence over the policy process. The net effect of this negative perception of the PPC is that businessmen qua campaign contributors cultivate multiple relationships with parties (outside of the left) to ensure at least some measure of access for themselves as individuals to the parties in power. "Don't back no losers" appears to be the operative rule in the relations

between capitalists and political parties. A high level PPC leader described how this pragmatism affects the party:

In every country, businessmen have to get along with all political parties. They maintain relations with the party in power and the opposition. Large companies particularly follow this policy. There's no permanent relationship between businessmen and my party. Some businessmen belong to the party ...But the PPC is also at a disadvantage. In ideological terms we have a lot in common with businessmen --and because of that they don't have to make public relations with us. They have to create good relations with APRA. Businessmen are ideologically sympathetic with us, but feel obliged to maintain relations with other parties...We get financial support from them, but it's a lot less than people imagine. It's really minimal. (65)

The long-term implications of the current marginalization of the PPC remain unclear. On one level, the inability of the PPC to win elections deprives the private sector of an explicit ally inside the state. On the other hand, private sector influence inside APRA could be sufficient to compensate for the absence of the PPC from power. Even in the light of the pessimistic predictions about future PPC performance, the potential volatility of

the electorate also raises the question of whether this PPC marginalization will be a permanent feature of the party system. The often repeated Peruvian maxim that "there is no such thing as a political cadaver" may offer an important insight into the perspective of the right on its own future. Peruvian capitalists and politicians can find illustrations in Bolivia and Ecuador of how rightist parties with close ties to business elites have been able to build electoral viability.

León Febres-Cordero, a manager of one of the largest economic groups in Ecuador and a leader of the Guayaquil Chamber of Industries, spearheaded the electoral recuperation of the right that brought him to the presidency in 1984. This revival of the Ecuadorean right was no small feat considering the magnitude of the defeat these forces suffered in the first elections in the transition in 1979. The formation of a single electoral front that united the small parties of the right into the Frente de Reconstrucción Nacional (FRN) and the emergence of León Febres-Cordero as a self-consciously macho media personality were critical components in his electoral victory in 1984. This direct occupation of the executive by one of the most visible corporate leaders of the private sector brought with it the expected reopening of the policy process to business interest groups. The result of this repenetration of the state has been the formulation of economic policies which were much less stringently

neoliberal during their first two years in practice than Febres-Cordero's campaign rhetoric had promised. The new tariff policy issued in early 1986, for example, was subject to over a year of negotiations between the economic team and the Chambers of Industry. (66)

As in Ecuador, the strong electoral performance of the Bolivian right has hinged on the availability of a well-known leader. Ex-general Hugo Banzer, who headed the military regime from 1971-78, became the focal point for the agglutination of the right into the Acción Democrática Nacionalista (ADN). Founded in 1979, the top leadership positions in the party are largely occupied by businessmen from financial and mining sectors, many of whom have personal ties to Banzer dating from their service in his administration as técnicos. In addition, Banzer's cruceno origins and his previous government's subsidization of agro-export firms in Santa Cruz tie him closely to the economic groups of that region. (67) With the financial backing of these groups, Banzer waged a presidential campaign in 1985 in which he led in the popular vote; he is widely regarded as the leading contender in the next presidential elections.

The electoral ascendance of the right in Bolivia and Ecuador could, however, prove to be short-lived. In Ecuador, parties of the right continue to fare poorly in provincial and congressional elections. The FRN functioned as an electoral front in the presidential elections and a

voting bloc in Congress; but in congressional and provincial elections the FRN parties continue to compete with each other. All this lends credence to the position that the Febres-Cordero victory was simply a reflection of his personal appeal and not indicative of a real shift toward the right in the electorate. Similarly, ADN leaders admit to the caudillista character of their own party which makes the post-Banzer institutional future of the ADN an open question.

While party politics in democracy is yet another route used by business interest groups to influence policy-making, it offers little of the certainty or predictability that business organizations crave. There are two dimensions to the uncertainty that stems from party politics. The first and obvious one has to do with electoral outcomes and the impermanence of those outcomes. If parties sympathetic to business concerns cannot win elections with some regularity over time, they are a useless tool to their constituency. The second dimension has to do with accountability. Once in power, elected officials are often able to assume a level of autonomy and shed roles as class representatives. Business leaders are quick to point out that the occupation of ministerial positions by fellow capitalists does not necessarily guarantee sympathy or access. Politicians in capitalist democracies have to respond to accumulation, legitimation, and electoral imperatives that structurally limit their

capacity to respond to business demands, even when they may be personally sympathetic to them. (68)

As much as business elites in all three countries play the card of party politics through financial contributions to parties and candidates, it is a game with rewards that are partial and transitory--where the "fit" between business expectations and actual party performance leaves the private sector disgruntled with its partisan allies.

POLITICAL EFFICACY, UNCERTAINTY, AND DEMOCRACY

Recent reflections on the problems of consolidating democratic regimes by Adam Przeworski, Albert Hirschman, and others have focussed on the dilemmas posed by the uncertainties inherent in democratic systems. (69) Simply put, the argument is that democracies require political actors who are "good losers". That is, political players in a democracy must agree to abide by the formal-legal rules even when they incur losses in the electoral/policy-making arena. As such democracies are demanding systems in terms of political culture; they are built around the presence of actors who are tolerant of uncertainties and prospective losses. This toleration is bred by the fluidity of democratic politics--the fact that there are multiple points of access and influence and that losses can be reversed, either through the legislature, the courts, elections, or in the next round of bureaucratic

politics. From this perspective, thinking about democracy in Latin America leads us into the shadowy realm of gauging actors' perceptions--of self and others--along with their calculations of the future. This is a difficult task especially since perceptions are fluid and shift according to the particular conjuncture at hand.

Do the phenomena described in this essay point to the development in these countries of self-confident and tolerant capitalist classes who have concluded (along with Lenin) that democracy is the "best possible political shell" for Latin American capitalism? Or is it simply the chronicle of pragmatic adjustments in the face of a temporary disillusionment with military rule, that will break down as policy frustrations mount? In trying to answer these difficult questions, it may be useful to think about how the patterns of business-state relations described in these three cases affect the sense of political efficacy of business groups and their constituents. There are two dimensions to political efficacy: internal efficacy has to do with how actors perceive their own capacities to affect the political process, while external efficacy relates to an actor's perceptions of the responsiveness of government to citizen demands. (70)

On one level, it appears that the private sectors in these countries are now well equipped to successfully engage in the give-and-take of pluralist politics. The

growth of the organizational capacity of local capitalists is impressive. The new sophistication is reflected in the proliferation of specialized producers' associations, the movements to create inclusive peak associations, and the professionalization of existing organizations. Via these organizations, capitalists make use of all the traditional instruments available in a democracy to influence public policy. Business groups engage in "technical" lobbying of state managers in the executive branch; they mobilize opinion through comunicados públicos in the press. As individuals, businessmen maintain ties to parties through campaign contributions and often directly participate as candidates themselves. Furthermore, at least a partial representation of business interests takes place through the quasi-corporatist consultative mechanisms inside the executive branch. All the pieces seem to be in place to ensure what Lindblom called the "privileged position" of business in capitalist democracies. (71)

While democracies are by nature "permeable" states, it is the constant and sometimes drastic shifts in levels of permeability across elected governments and within any one government that worry businessmen and lead them to regard the policy-process as erratic and irrational. The inclusiveness or exclusiveness of governments in regard to business participation in economic decision-making is the product of factors in internal and external environments. The partisan character of the

government sets the tone for business-state relations. But perhaps even more critical in determining the levels of permeability are the procedural and stylistic approaches adopted by state managers. State managers can consciously structure business organizations out of decision-making or opt to let them in. The current debt crisis and the imperatives that the crisis creates for state managers (i.e. responding to demands from international creditors) produce conditions that prompt state managers to opt from more exclusionary modes of decision-making. The ethos of "crisis management" legitimates the insulation and autonomy of economic teams from the pressures of domestic lobbyists. This exclusionary mode is highly suited to the formulation and implementation of neoliberal economic models which impose costs on fractions of domestic capital, particularly in import-substituting industries. Yet, the political cost of coherence and consistency in the implementation of economic models is that the models clarify exactly who the winners and losers are. The more state managers strive toward coherence in the management of economic affairs, the more they risk alienating important groups. Peter Hall describes the benefits of deliberate malintegration in policy-making:

A state faced with multiple tasks and well-defined conflicts of interest among the social classes it governs, or the groups within these, may find it

necessary to maintain a degree of deliberate malintegration among its various policy-making arms so that each can mobilize consent among its particular constituencies by pursuing policies which, even if never fully implemented, appear to address the needs of these groups. In many cases the pursuit of incompatible policies renders all of them ineffective, but this strategy prevents any one group from claiming that the state has come down on the side of its opponents. (72)

Thus, deliberate malintegration and rampant pluralism in economic policy-making rather than orthodox coherence and insulation may be a way to enhance the sense of external efficacy among business leaders and reduce feelings of uncertainty in the private sector. In a strange way, wheeling and dealing incrementalism might be the best guarantee of dominant class loyalty to democracy--- but, given the international pressures on state managers and the magnitude of the economic problems they face, just "muddling through" may be a fast fading option.

The development of internal efficacy remains problematic. In an objective sense, the growth of bourgeois organization certainly can be seen as contributing to a heightened class capacity to intervene in the policy-process. But the subjective interpretations by capitalists of their capacity as political actors do not

reflect an image of self-confidence and security. One of the striking themes that emerged in our project interviews with leaders of business associations was the recurrent references to the lack of internal unity within the private sector and their weakness vis-à-vis other groups in society. It is important to keep in mind that this flourishing of bourgeois organization over the last fifteen years has been of a defensive and reactive nature. Similar to the patterns of business interest group formation elsewhere, these organizations have been founded and are active in response to the threats posed by the state and labor movements. (73) As such, businessmen perceive themselves as being on the defensive in these societies. Especially in Peru and Bolivia, these feelings of insecurity are reinforced by traumatic "political memories" of popular class militancy and state directed reforms; the Asamblea Popular in Bolivia and the Velasco Alvarado regime in Peru are central experiences in attempting to understand the mentality of these dominant classes. A prominent Bolivian businessman rendered a dark assessment of the character and political capacity of his own class:

I do not think the interests between the parasitical and productive sectors of the bourgeoisie can be made compatible...I think all of us will be screwed and I'm scared...This is not a solid bourgeoisie... We are still very primitive...We know we are weak

and we don't give a damn. Everybody's just interested in the next deal they can make--the next fast buck. The majority of the private sector is a fast buck private sector. It's not a creative private sector and they've got a tremendous complex about their weakness...You're distorting your whole study if you think the private sector is powerful. I think the other sectors are going to beat us. (74)

Looking for signs of a development of democratic political culture inside the ranks of Andean capitalists is a disappointing exercise. The history of the return to civilian rule is, in part, a story of elites who "backed into" democracy as a retreat from reform and a preemption of the left. (75) All this is not to say that the flexibility and tolerance needed to maintain democracy cannot be learned over time. Moreover, the fate of democratic regimes lies not just in the hands of dominant classes and state managers; labor, the military, and other social groups all have a critical role in determining the positions and strategies of the other actors. A simple lack of alternatives to democracy could be enough to keep all actors inside the bounds of the democratic game long enough for political socialization into democratic values to take place. What is clear is that, at least up to this point, capitalists remain skeptical about the ability of politicians and technocrats to deliver a stable investment

climate and policy predictability. Until this changes, this highly risk-averse bourgeoisie still stands as a major threat to the consolidation of these democratic regimes.

NOTES*

(*To assure the anonymity of our informants, the material taken from the interviews is cited only by date and location. A total of 54 formal interviews with economic team members, business organization leaders, and party leaders were conducted by the three principal researchers in the first wave of elite interviewing in Lima, La Paz, and Quito from January through March 1986.)

1. The argument that business holds a "privileged position" in advanced capitalist democracy is made by Charles Lindblom, Politics and Markets: The World Political-Economic Systems (New York: Basic Books, 1977): 170-188.
2. For the purposes of this analysis, neoliberalism refers to free market monetarist economic policies. Some writers refer to these same policies as "neoconservative" when writing for English-speaking audiences. See, for example, Alejandro Foxley, Latin American Experiments in Neoconservative Economics (Berkeley: University of California Press, 1983); Joseph Ramos, Neoconservative Economics in the Southern Cone of Latin America, 1973-1983 (Baltimore: The Johns Hopkins University Press, 1986).
3. For such interpretations of the Peruvian case, see for example: Anibal Quijano, Nationalism and Capitalism in Peru: A Study in Neo-Imperialism (New York: Monthly Review Press, 1971); Henry Pease García, El ocaso del poder

oligárquico: Lucha política en la escena oficial 1965-75 (Lima: DESCO, 1977); E. V. K. Fitzgerald, The Political Economy of Peru 1956-1978: Economic Development and the Restructuring of Capital (Cambridge: Cambridge University Press, 1979). For an interpretation of the Bolivian case, see James Dunkerley, Rebellion in the Veins: Political Struggle in Bolivia, 1952-82 (London: Verso, 1984).

4. Important works on the traditional Peruvian oligarchy include Francois Bourricaud, Power and Society in Contemporary Peru (New York: Praeger, 1970), and Dennis Gilbert, "The Oligarchy and the Old Regime in Peru," Latin American Dissertation Series No. 69. (Ithaca: Cornell University, 1971). Current research by Felipe Portocarrero at the Centro de Investigación, Universidad del Pacífico, also points to the pattern of diversified investment by traditional Peruvian elites.

5. Nathaniel H. Leff, "Industrial Organization and Entrepreneurship in the Developing Countries: The Economic Groups," Economic Development and Cultural Change 26, no. 4 (July 1978): 661-75.

6. There is a large literature on the Velasco period. Some of the important treatments of the period include: George Philip, The Rise and Fall of the Peruvian Military Radicals 1968-76 (London: Athlone Press, 1978); Alfred Stepan, The State and Society: Peru in Comparative Perspective (Princeton: Princeton University Press, 1978); Abraham Lowenthal, ed., The Peruvian Experiment: Continuity

and Change under Military Rule (Princeton: Princeton University Press, 1975); Abraham Lowenthal and Cynthia McClintock, eds., The Peruvian Experiment Reconsidered (Princeton: Princeton University Press, 1983); David Booth and Bernardo Sorj, Military Reformism and Social Classes: The Peruvian Experiment 1968-80 (New York: St. Martin's Press, 1983).

7. On the Rodríguez Lara period in Ecuador, see Nelson Argones, El juego del poder: De Rodríguez Lara a Febres-Cordero (Quito: Corporación Editora Nacional, 1985); Instituto de Investigaciones Económicas y Políticas, El capitalismo ecuatoriano contemporáneo: Su funcionamiento (Guayaquil: Universidad de Guayaquil, n. d.); Augusto Varas and Fernando Bustamante, Fuerzas armadas y política en Ecuador (Quito: Ediciones Latinoamérica, 1978).

8. Jerry R. Ladman, ed., Modern-Day Bolivia: Legacy of the Revolution and Prospects for the Future (Tempe: Center for Latin American Studies, Arizona State University Press, 1982).

9. For example, see David Vogel, "Why Businessmen Distrust Their State: The Political Consciousness of American Corporate Executives." British Journal of Political Science 8, no. 1 (January 1978): 169-73.

10. This period is discussed at length by the author in "Industrialists and the Reformist Interregnum: Dominant Class Political Behavior and Ideology in Ecuador, 1972-1979," Ph.D. diss., Yale University, 1983.

11. Interview, 30 January 1986, Lima; Interview, 22 January 1986, Lima.
12. Interview, 22 January 1986, Lima.
13. Interview, 30 January 1986, Lima; Interview, 15 January 1986, Lima.
14. See the interview with ADEX founder, Alejandro Tabini, "Como y por qué nació ADEX?" Perú Exporta, no. 99 (June-July 1986): 4-7.
15. Anthony Ferner, "Industrialists and the Developmental Model" in volume edited by Booth and Sorj, Military Reformism, 55-56.
16. Interview, 23 January 1986, Lima.
17. Francisco Durand, Los industriales, el liberalismo y la democracia (Lima: Fundación Friedrich Ebert/DESCO, 1984), 8.
18. Interview, 4 February 1986, Lima.
19. Interview, 22 January 1986, Lima.
20. Vistazo, 16 February 1979.
21. See the previously cited work by Dunkerley. Also see Christopher Mitchell, The Legacy of Populism in Bolivia: From the MNR to Military Rule (New York: Praeger, 1971): 121-32; Jerry Ladman, "The Political Economy of the 'Economic Miracle' of the Banzer Regime," in Modern-Day Bolivia, 321-44.
22. L. Enrique García-Rodríguez, "Structural Change and Development Policy in Bolivia," in Modern-Day Bolivia, 176.
23. Cardoso cited in Anthony Ferner, "Industrialists," in Booth and Sorj, eds., Military Reformism, 56.

24. Interview, 20 February 1986, La Paz.
25. Interview, 19 February 1986, La Paz.
26. James M. Malloy and Eduardo A. Gamarra, "The Transition to Democracy in Bolivia," in Authoritarians and Democrats: Regime Transition in Latin America, ed. James M. Malloy and Mitchell A. Seligson (Pittsburgh: University of Pittsburgh, 1987): 105-106.
27. The positions taken by business organizations and political parties during the diálogos can be found in Luis Orleans Calle Vargas, La constitución de 1978 y el proceso de reestructuración jurídica del estado 1976-78 (Guayaquil: Universidad de Guayaquil, 1978). For Chamber pronouncements on the mechanics of the return see "Informe del Sr. Presidente de la Federación Nacional de Cámaras de Industrias del Ecuador, Ing. León Febres-Cordero, ante la Junta General realizada en Quito, el 15 de diciembre de 1976," Revista de la Cámara de Industrias de Guayaquil IX, no. 31 (1976); "El Plan de reestructuración jurídica del estado y el destino nacional," Boletín Informativo (Cámara de Industrias de Guayaquil) IV, no. 46 (September 1977); "Informe anual presentado por el Presidente de la Cámara de Industrias de Guayaquil," Revista de la Cámara de Industrias de Guayaquil IX, no. 38 (1978); "Informe anual de labores del Presidente de la Cámara de Industriales de Pichincha, Ing. Gonzalo Vorbeck, 1977-78," Carta Industrial, no. 31 (January-February 1978); "Reflexión política," Carta Industrial, no. 34 (September 1978).

28. For a review of the events of the Peruvian transition see Sandra L. Woy-Hazelton, "The Return of Partisan Politics in Peru," in Post-Revolutionary Peru: The Politics of Transformation, ed., Stephen M. Gorman (Boulder, Col: Westview, 1982): 33-72.
29. For a discussion of different types of transition processes see Eduardo Viola and Scott Mainwaring, "Transitions to Democracy: Brazil and Argentina in the 1980s," Journal of International Affairs 38 (Winter 1985): 193-218.
30. Interview, 20 February 1986, La Paz.
31. Ibid.
32. ¡Democracia Ya! along with other important CEPB documents from the period can be found in Confederación de Empresarios Privados de Bolivia, Pensamiento y acción de la empresa privada 1982-85 (La Paz: CEPB, 1986).
33. For more discussion concerning the politicization of the Chambers of Production in Ecuador see Jorge Hidobro, "Acción política de las clases sociales y las políticas agraria e industrial: Ecuador 1972-79" (Paper, Center for Latin American Studies, University of Pittsburgh, August 1981)
34. For Lanata's discussion of the creation of IESS see, "El IESS: Un lustro al servicio de la empresa industrial privada," Industria Peruano, no. 610 (August 1985): 18-23.
35. Interview, 15 January 1986, Lima.
36. Ibid.

37. The 1981 issues of ADEX's magazine, Perú Exporta, contains a series of articles by Daniel Schydolwsky that summarize his position.
38. Interview, 17 February 1986, La Paz.
39. Ibid.
40. Interview, 22 February 1986, La Paz.
41. See "Declaración del Consejo de Cámaras y Asociaciones de la Producción," Informe Final, Convención Nacional de Industriales, Quito, 1981.
42. For background on CONFIEP see "Discurso del Ing. Julio Piccini Martin, Presidente saliente del CONFIEP" and "Discurso del Dr. Miguel Vega Alvear, al asumir la Presidencia de la CONFIEP," in Industria Peruana, no. 613 (November 1985): 10-16.
43. This distinction between productive and predatory fractions of the bourgeoisie is made by Guillermo O'Donnell. See his "Lineas temáticas del Proyecto 'Consolidación' " (Mimeo, Kellogg Institute, University of Notre Dame, 1986).
44. For a discussion of how the state promoted deaccumulation through the implementation of a neoliberal model in Chile see Carlos Fortin, "The Political Economy of Repressive Monetarism: the State and Capital Accumulation in Post-1973 Chile" in The State and Capital Accumulation in Latin America, Volume I: Brazil, Chile, Mexico, ed. Christian Anglade and Carlos Fortin (Pittsburgh: University of Pittsburgh Press, 1985): 139-209.

45. For a discussion of the operation of economic groups in Bolivia see Susan Eckstein and Frances Hagopian, "The Limits of Industrialization in the Less Developed World: Bolivia," Economic Development and Cultural Change 32, no. 1 (October 1983): 63-95. On economic groups in Ecuador see Guillermo Navarro, La concentración de capitales en el Ecuador (Quito: Ediciones Solitierra, 1976). On Peru see Carlos Malpica, Los dueños del Perú (Lima: Editorial Ensayos Sociales, 1968).
46. Interview, 24 January 1986, Lima.
47. Interview, 19 March 1986, Quito.
48. Interview, 22 February 1986, La Paz.
49. Interview, 27 January 1986, Lima.
50. Interview, 4 February 1986, Lima.
51. Belaúnde's interests in the development of public works and infrastructure was a priority in his first administration (1963-68). For a description of policy-making in that period see Pedro Pablo Kuczynski, Peruvian Democracy under Economic Stress: An Account of the Belaúnde Administration, 1963-68 (Princeton: Princeton University Press, 1977).
52. Interview, 22 February 1986, Lima.
53. Interview, 12 February 1986, Lima.
54. Interview, 4 February 1986, Lima.
55. Interview, 10 December 1984, Quito. For further discussion of the Hurtado style and his problematic relationships with business organizations see Howard

- Handelman, "Elite Interest Groups under Military and Democratic Regimes: Ecuador 1972-84" Paper delivered at the Latin American Studies Association meeting, Albuquerque, New Mexico, April 17-20, 1986.
56. Interview, 24 February 1986, La Paz.
57. For a discussion of the measures and effects involved in desdolarización see Kenneth P. Jameson, "Dolarization and Dedollarization in Bolivia" (Paper, Department of Economics, University of Notre Dame, 1986).
58. For further analysis of the Siles period see Robert Laserna, comp., Crisis, democracia y conflicto social (Cochabamba: CERES, 1985).
59. Ecuador has an especially well-developed tradition of corporatism. Constitutional law prior to 1978 provided for functional representation in the legislature from the Chambers of Commerce, Agriculture and Industry.
60. Interview, 4 February 1986, Lima.
61. See, for example, the 1985-86 issues of ADEX's Perú Exporta and Industria Peruana, published by the Sociedad de Industrias.
62. Interview, 27 January 1986, Lima. For a discussion of definitions of corporatism and concertation in the European setting see Gerhard Lembruch, "Concertation and the Structure of Corporatist Networks," in Order and Conflict in Contemporary Capitalism, ed. John Goldthorpe (Oxford: Clarendon Press, 1984): 60-80.
63. Survey is from Conaghan, "Industrialists," 283.

64. Fernando Tuesta, "El Parlamento en el Perú: Un perfil social y político de sus representantes" (Manuscript, Lima, 1986).
65. Interview, 28 January 1986, Lima.
66. Interview, 18 March 1986, Quito. For a review of the tariff measures see Weekly Analysis of Ecuadorean Issues XVI, no. 4, January 31, 1986.
67. For a discussion of the economic groups of Santa Cruz see Grupo de Estudios Andrés Ibáñez, Tierra, estructura y poder en Santa Cruz (La Paz: Centro de Estudios Andrés Ibáñez, 1983).
68. For a discussion of the autonomy of state managers that emerges out of conflicting demands see Theda Skocpol, "Political Response to Capitalist Crisis: Neo-Marxist Theories and the Case of the New Deal," Politics and Society, no. 2 (1981): 155-201; Kenneth Finegold and Theda Skocpol, "State, Party and Industry: From Business Recovery to the Wagner Act in America's New Deal," in Statemaking and Social Movements, ed. Charles Bright and Susan Harding (Ann Arbor: University of Michigan Press, 1984): 159-72. Work on this topic has been greatly influenced by the now classic piece by Fred Block, "The Ruling Class Does Not Rule: Notes on the Marxist Theory of the State," Socialist Revolution 33 (May-June 1977): 6-28. For further discussion of the debates on the autonomy of politicians see On the Autonomy of the Democratic State (Cambridge: Harvard University Press).

69. Adam Przeworski, "Some Problems in the Study of Transition to Democracy," in Transitions from Authoritarian Rule: Comparative Perspectives, eds. Guillermo O'Donnell, Philippe Schmitter, and Laurence Whitehead (Baltimore: The Johns Hopkins University Press, 1986). Also see his analysis of the democratic state as a state of class compromise in his Capitalism and Social Democracy (Cambridge: Cambridge University Press, 1985). See Albert Hirschman's commentary, "On Democracy in Latin America," New York Review of Books 6, April 10, 1986: 41-42. The idea that security and tolerance among elites are central to democracy is also found in the work of Robert Dahl, Polyarchy: Participation and Opposition (New Haven, Conn: Yale University Press, 1971).

70. For a discussion of how the notion of political efficacy is used in the literature on public opinion see Paul Abramson, Political Attitudes in America: Formation and Change (San Francisco: W. H. Freeman, 1983).

71. Charles E. Lindblom, Politics and Markets: The World Political-Economic Systems (New York: Basic Books, 1977).

72. Quoted in David Held and Joel Krieger, "Accumulation, Legitimation and the State: The Ideas of Claus Offe and Jurgen Habermas," in States and Societies, ed. David Held (New York: New York University Press, 1983), 491.

73. The formation of business interest groups in response to the growing power of the state and labor is a common phenomenon. For a discussion of how this occurred in the

U. S., see Burdett Loomis and Allan Cigler, "Introduction: The Changing Nature," in Interest Group Politics, ed. Allan Cigler and Burdett A. Loomis (Washington: Congressional Quarterly Press, 1983): 1-30.

74. Interview, 17 February 1986, La Paz.

75. Goran Therborn has argued that this pattern also operated in the formation of democracies in Western Europe see "The Rule of Capital and the Rise of Democracy," in States and Societies, 261-289. Also see Dankwart Rustow, "Transitions to Democracy," Comparative Politics (April 1970): 337-366.