

With the Best of Intentions

Types of Development Failure in Latin America

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Introduction

Latin America contributed early to the concept and to the academic discussions of the development state, and earlier still to the practice of state intervention in the economy. However, the most positive and even spectacular results in terms of state-promoted economic development were all achieved in East Asia during the twentieth century. In fact, no Latin American nation has reached the group of developed countries to this day.

Since the results delivered by development states in Latin America have been disappointing, studies of the region tend naturally to focus on development failure as a general phenomenon. Studies on countries such as Japan or South Korea describe the institutional designs and policies that made those countries' development strategies so successful, turning them from poor agrarian societies into industrial and technological powerhouses in a few decades. Scholars confront the opposite in Latin America, that is to say, the difference between ambitious development goals, and the mediocre results reached in most instances. The reasons, causes or factors that trigger development failure are a special area of interest for studies on development in Latin America.

Among the literature on economic and social development, we would like to call attention to a general trend or assumption regarding the failures of development states. According to this trend, development failure is caused by deficiencies of politicians or state servants. Politicians or state servants, instead of promoting the well-being of citizens, employ power for their own benefit, and as a

result, development strategies fail. In some countries, politicians or state servants are predominantly corrupt, so that instead of promoting development, they only enable and strengthen rent-seeking elites.

Following this general assumption in the literature, the failure of development policies is blamed on the groups that actually benefit from a situation of backwardness, the rent-seeking elites in collusion with corrupt politicians, as described for example by Acemoglu and Robinson (2012, 86):

The success and failure of specific groups notwithstanding, one lesson is clear: powerful groups often stand against economic progress and against the engines of prosperity [...] Growth thus moves forward only if not blocked by the economic losers who anticipate that their economic privileges will be lost and by the political losers who fear that their political power will be eroded.

Furthermore, according to the same authors, mere ignorance has to be excluded as a significant factor for development failure, the cause is rather that some groups benefit from failure:

Neither Ghana's disappointing performance after independence nor the countless other cases of apparent economic mismanagement can simply be blamed on ignorance. After all, if ignorance were the problem, well-meaning leaders would quickly learn what types of policies increased their citizens' incomes and welfare, and would gravitate toward those policies. (Acemoglu and Robinson 2012, 65)

In this context, the only possible discussion of defective institutional design focuses precisely on those designs that allow or enable rent-seeking activities, such as, for example, by tolerating excessive discretion from the part of state servants. As Shivakumar (2005, 17) summarizes the literature of the past three decades:

By the 1980's, development failure was linked increasingly to government failure. Scholarship in Public Choice pointed out that rent-seeking and rent-avoidance activities, occasioned by excessive discretion on the part of the agents of the state, foster waste and retard growth [...] Responding to this, development theorists recommended aid to improve the organizational capacity of the state. The idea of Good Governance was soon invoked by the World Bank and the UNDP to overcome the problem of government failure.

According to this approach, defective institutional design is not a problem by itself, but only insofar as institutions are not able to restrain the self-interest of state servants. Among other scholars, Schneider (2013, 140) applies to Latin America such a perspective:

[...] this chapter shows how distinctive features of the political system favor business interests and how the different strategies and preferences of business groups in Latin America shape what they pursue in politics. Formal institutional features, such as the common combination in Latin America of majoritarian presidentialism with proportional representation legislatures (MP/ PRL) and informal practices like appointive bureaucracies, favored business groups and other insider groups in distinctive ways. The interests pursued are not generic but can be traced back directly to the distinctive corporate structures and strategies analyzed [...]

Business groups do not pursue generic interests, but only their corporate benefits. And certain institutional features are defective, for Schneider, precisely because they favor business groups and other insider groups. The author seems to suggest, furthermore, that defective institutional features are preserved precisely to favor special interests.

The general focus on rent-seeking has been integrated into the well-known concept of the “predatory state,” a type of state where politicians and other public servants mainly use political and administrative power to extract rents from society. States in Latin America are not usually described as—entirely—predatory, but lying somewhere in between successful development states, on the one hand, and “pure” predatory states, on the other hand—the well-known example of the latter being Zaire under Mobutu.

In the present paper, we acknowledge of course that rent-seeking behavior has very negative effects on development, and that such behavior can cause the failure of development strategies all by its own. However, we think that the literature’s focus on rent-seeking behavior as the main or only reason for development failure has resulted in the lack of attention to a complete different set of factors, which also causes development strategies and policies to fail in Latin America. This other set of factors are patterns of defective institutional design that cause institutions to underperform, but not only, or not mainly, as the result of rent-seeking behavior. Some types of institutions perform simply better than others, with or without taking predatory behavior into account.

Therefore, we propose a distinction between two “ideal types” of development failure. The first type of development failure, described above, can be defined as predatory; it is caused by rent seeking behavior or outright corruption. The second type of development failure, which will be the focus of our discussion, is not predatory at all. To the contrary, it is an “honest” failure, caused by specific trends of defective institutional design, a type of failure which could be prevented with increased awareness and public debate about the design of institutions. We will define this second type of development failure as “institutional.” Politicians and state servants are not trying to line their pockets as their main motivation in the institutional type of development failure, their motivations are significantly related to the goal of improving governance. But certain institutions created and run with the intention to promote economic and social development fail nevertheless, not because the politicians and state servants in charge of running those institutions are predominantly corrupt and rent-seeking, but because the design of those institutions is defective. The institutional type of development failure is caused with the best of intentions.

In the first section of the paper, we will describe the basic configuration of institutions that have shown consistent positive results; this is the design that can be considered as a model or benchmark for successful development institutions. As previously mentioned, the most extraordinary cases of development achievement during the twentieth century were Japan and Korea, and institutional designs show clear similarities in both countries. In his classic study of institutions and economic development, Evans (1995) formulates a concept of “embedded autonomy” based on the East Asian cases, a concept that tries to capture the features of institutional design that explain those achievements. We will take Evans’ concept as the point of departure for our own discussion.

In the second section, we will discuss two prominent cases of development strategies, in Latin America, which showed initial success and promise, but ended up in failure and disappointment. The failure of those strategies has produced some puzzlement among scholars, because the decisions that resulted in their breakdown were not clearly based on predatory or self-interested motivations. They were “honest” failures, the result instead of defective institutional design. Our contention in the second section will be that there is a pattern to such institutional failures in Latin America. Countries in the region share certain similarities of defective institutional design, which can be traced back to very basic assumptions about how public organizations should be designed and managed.

Finally, in the conclusions, we will suggest some basic ideas for furthering the public discussion on institutional design in Latin America.

1. Economic Development and Bureaucratic Autonomy

Evans' (1995) concept of "embedded autonomy" attempts to characterize the design of an effective development institution. The cases that served as blueprints for the concept of embedded autonomy were Japan's Ministry of International Trade and Industry (MITI), and Korea's Ministry of Communications (MOC). Evans' own empirical research was focused on the latter, for Japan's MITI he mostly based his analysis on the classical work of Johnson (1982).

Evans introduces the concept of embedded autonomy as a generalization of MITI's experience. He makes clear from the beginning that the internal bureaucratic coherence (autonomy) of MITI made its participation in external networks (embeddedness) so effective. He goes as far as describing bureaucratic coherence as an "essential precondition" for MITI's strong informal connections to major industrialists and other businesspeople, that is to say, he defines autonomy as an essential precondition for embeddedness (Evans 1995, 3).

According to Johnson (1982), the strong bureaucratic autonomy of MITI in post-war Japan was based on two specific rules of institutional design, one of them formal and the other informal. The formal rule relates to the status of employees at the ministry. All the staff of ministry, with the only partial exception of the minister, were career civil servants in the Weberian sense, that is to say, all members of the staff had entered the civil service through competitive examinations, and their successive promotions were based on merit (Johnson 1982, 52). Thus the top career civil servant of MITI, the vice-minister, had to go through a long and successful professional trajectory before reaching that commanding position. The minister was the exception to the rule that no political appointees were allowed to play a role in public management, but only a partial exception, since most ministers, that is to say, all important postwar politicians Japan, were former senior career civil servants anyway. (Johnson 1984, 38) In sum, the first institutional design establishing MITI's bureaucratic autonomy was the rule that the public administration system could only be staffed by career civil servants. Political appointees were almost non-existent. The whole ministry had just one political appointee, namely the minister, who was in most cases also a former senior career civil servant.

The second component of institutional design that secured the bureaucratic autonomy of MITI was a non-written principle. As Johnson (1984, 322) describes it, the “effective functioning of the development system requires a separation between reigning and ruling.” According to Johnson, in other words, the design of development institutions requires that politicians have no effective power or influence over public policy. This statement of Johnson is based on his study of the Japanese model, of course, but he formulates the idea as a general prescription for all development institutions. Elected politicians should reign, but career civil servants should effectively rule. Needless to say, Johnson is making a reference to the well-known practice of parliamentary monarchies, where parliament takes all decisions of relevance, and the monarch has no real power. For Johnson, among other factors, the extraordinary success of MITI as a development agency can be explained by the impact of this informal rule. The top career civil servants of the Ministry had complete dominance over both formulation and implementation of public policy, without any kind of political interference.

Bureaucratic autonomy was already very strong in Japan during the post-war period of reconstruction. Some of the key elements of institutional design in the country, such as the dominance of career civil servants over public policy decisions, went back to the Meiji period 1868-1912. As part of the Meiji project of modern state building, Japan very deliberately adopted the German design of professional state governance. In this model, state institutions are run strictly by career professionals, without interference from politicians. The case of Japan shows the extraordinary impact of this institutional design on economic development, but certainly, the fundamental structure of Japan’s state model had been established well in advance of the post-war period of very fast industrialization.

The case of Korea is very different from Japan in this regard. It was only after the sixties that Korea created development institutions with a similar design to Japan’s, that is to say, state institutions run by career civil servants. Once institutions with such a design were established, however, the government’s development strategies showed extraordinary results in about two decades, a relatively short time for economic development. The case of Korea displays thus the potential of deliberate institutional change. As a result of the adoption of Japanese-style development institutions, Korea went from being a basically agrarian and poor society to becoming an industrial power-house

in about twenty years. As we will see, the overarching principle of institutional design applied in Korea was the same as in Japan, that is to say, the dominance of career civil servants over public policy formulation and implementation.

For more than a decade after the Second World War, under the three-term presidency of Syngman Rhee, 1948-1960, the higher ranks of the Korean ministries were filled primarily by “special appointments.” That is to say, political appointees were in charge of public policy formulation and implementation during this period. (Evans 1995, 52) Although the Rhee administration attempted to implement industrial development policies, these mostly failed, and moreover, the government was plagued by corruption. Because of the lack of influence of career civil servants, the failure of development policies, and the widespread corruption, Evans (1995, 52) simply concludes that “Rhee’s regime was more predatory than developmental.”

A National Civil Service Act was passed in 1963, under the first presidency of Park Chung Hee, as part of a wide process of state reforms in Korea. The act established a career system for employees of the national public administration, with appointments to be based on competitive examinations, promotions awarded on merit, and protection from arbitrary dismissal. (Kim and Leipziger 1993, 30) The reform was, in other words, an extensive bureaucratic professionalization of the Korean state.

We will focus now on the case of the Korean Ministry of Communications (MOC), which was instrumental in the remarkable success of development policy in the area of information technology during the eighties and nineties. The civil service reform of the early sixties created, first of all, a staff of permanent career civil servants to run the operations of MOC. Added to this, secondly, since the early eighties all public policy decisions in information technology were taken by experts in the area, without political interference. In 1981, the individual who is widely acknowledged as the architect of Korea’s spectacular success in information technology, Oh Myung, was appointed vice-minister of Communications. With a PhD in electrical engineering from the State University of New York, Oh Myung had a strong professional career profile. His appointment followed the custom, discussed earlier, of filling the position of vice-minister with career professionals, as was done in Japan since the Second World War. According to this practice, as Johnson describes it, the politician (minister) reigns, but the career expert (vice-minister) rules. However, Korea went distinctly beyond the Japa-

nese practice. Oh Myung was made minister in 1987, and the pattern of career professionals reaching the position of vice-ministers, and becoming ministers as their next career step, continued afterwards at MOC. (Larson 1995, 118) In other words, even the role of minister became a career position in Korea, not a political appointment.

The dominance of experts in policy making, already very strong, was further reinforced during the nineties in Korea. The two practices previously described were expanded and consolidated, that is to say, initially appointing career civil servants for vice-minister positions, and vice-ministers becoming subsequently ministers as their next career step. During the presidency of Kim Dae-Jung 1998-2003, both practices were adopted for the rest of government departments beyond the Ministry of Communications. (Kim 2000, 67-68)

In sum, the cases of Japan and Korea show the extraordinary impact on economic development of a relatively straightforward institutional design, the bureaucratic autonomy of development institutions. As both cases reveal, first of all, institutions can be described as “bureaucratic” if their management and staff consists of career civil servants, which corresponds to Weber’s concept of “rational” bureaucracies. Secondly, in order to be described as “autonomous,” bureaucratic institutions have to be run by career civil servants, that is to say, career civil servants in top management positions take all relevant public policy decisions without political interference. Evans considers bureaucratic autonomy as a necessary condition for the design of effective development institutions, as mentioned earlier. A first outcome of bureaucratic autonomy is the fact that, under this institutional design, public policies are much better formulated and more efficiently implemented. Better quality in public governance is a logical result of the fact that career civil servants have more expert knowledge and experience, in their respective public policy areas, compared to “amateur” politicians and political appointees.

But bureaucratic autonomy adds a second positive dimension to public governance, which is crucial for development strategies. State institutions run by career civil servants are much more willing and able to engage and build networks with private sector organizations, civil society actors, and citizens in general. In other words, bureaucratic autonomy is not only a necessary condition for embeddedness, as Evans had strongly emphasized, bureaucratic autonomy also encourages and supports embeddedness. Evans’ (1995) classic study introduced such a thesis, that is to say, that autonomous

bureaucratic institutions show remarkable readiness and aptitude to build networks with non-state actors. But the thesis was, at that point, only an empirical generalization, based on the cases of Japan and Korea. In these countries, autonomous bureaucratic institutions showed great skill at promoting and consolidating their embeddedness, in other words, they could competently formulate and implement public policy in constant consultation with business leaders and other social groups.

Since the publication of Evans' study, the willingness and capacity of autonomous bureaucratic agencies to promote their own embeddedness have been the subject of systematic theoretical and empirical discussions. The main contribution in this area of research represents the *theory of agency reputation*, also called *theory of reputation politics*. Originally developed by Daniel Carpenter (2001), the theory of agency reputation has been further elaborated by Carpenter (2010) himself, and by other authors working in empirical areas such as public policy, regulation, agency capture, and special interests influence (Carpenter and Moss 2013). Among other goals, this theoretical current has attempted to account for the fact mentioned earlier, the confirmed capacity of autonomous bureaucracies to promote their own embeddedness.

The theory of agency reputation has been empirically established on the basis of case studies of autonomous bureaucratic institutions in the United States, better known as independent agencies in American legal language. The studies go from the beginning of the consolidation of the institutional design of federal independent agencies, in the late nineteenth century, to the present times.

The theory of agency reputation has shown, first of all, that autonomous bureaucracies can only be successful if they are able to build and maintain a strong positive reputation for public service. Successful independent agencies deliberately pursue a strategy to consolidate and protect their reputation with the private sector, with civil society organizations, with professional associations, and with the public at large. A well-known case of a successful autonomous bureaucracy represents the Food and Drug Administration (FDA) in the United States, an agency that already in the seventies received double or more the confidence from citizens than they ascribed to Congress or to various presidents at the time, in statistical surveys (Carpenter 2010, 12). As observed by Carpenter (2010, 66), the imperative to protect and enhance its reputation "has governed and animated the FDA's behavior in pharmaceutical regulation for much of the last half-century." And the FDA has showed

for decades a distinct awareness of the fact that its own reputation is “embedded in multiple audiences.” (Carpenter 2010, 68)

A strong positive reputation has evident advantages for a bureaucratic agency. First of all, it is an essential tool for successful public policy implementation. All kind of social actors, and the public at large, will be more willing to follow the directions of a bureaucratic authority, if such an authority has a reputation for professionalism and public service. A strong positive reputation, secondly, preserves the independence of autonomous bureaucracies in different ways. A bureaucratic agency’s reputation for public service makes politicians reluctant to interfere with the decisions taken by the agency’s expert leadership. Given a positive reputation of the agency, political interference will be perceived negatively by citizens, and by organized social groups. The stronger positive reputation the agency has, the highest the political cost for those politicians who are seen as interfering with the agency’s expert decisions. This connection between their social reputation and the strengthening of their bureaucratic autonomy was perceived by expert agency managers early on, giving rise to “reputation politics” as a widespread phenomenon in the development of the American administrative state.

In sum, the theory of reputation politics represents a fundamental resource in order to identify the characteristics of autonomous bureaucratic institutions that make them so effective at promoting their own embeddedness. Following the diverse theoretical contributions and empirical results of this line of research, it is clear that the development of networks with social actors represents a major component of any agency’s reputation. This is what makes autonomous bureaucratic institutions much more willing and able to engage and interact with all kinds of social actors, such as the private sector, civil society associations, and the public at large. Successful bureaucratic agencies develop the skills and capacity to be effective at building networks, as shown by case studies.

Building networks involves consolidating the connections of a bureaucratic agency to potential political allies, and such connections represent a major political asset. The same can be said, of course, of an agency’s reputation for public service among citizens. Since their top management is not elected or politically appointed, reputation and embeddedness provide autonomous bureaucratic institutions with the main source of political legitimacy as organizations that wield state power. In

case studies going back to the nineteenth century, it can be seen how expert public managers recognized early on the need to cultivate the skills associated with reputation and embeddedness, such as network building, communication, participatory public policy deliberation, and many other procedures and techniques (Carpenter 2001). In contrast, politicians in office are members of a political party that won an electoral contest, they see elections as their main—or rather only necessary—source of political legitimation. Politicians in office believe that they are already legitimized by elections to take any decisions on public policy. Compared to career public managers, politicians are going to be less willing and experienced at going through lengthy and demanding processes of networking and public consultation before taking a decision.

In sum, the advantages of bureaucratic autonomy for development institutions have been conclusively shown in the cases of Japan and Korea. Moreover, the theory of agency reputation has analyzed, and confirmed in many case studies, the factors that explain and support such advantages. However, Latin American development institutions have almost never been designed as autonomous bureaucracies. For reasons that we will discuss in the next section, the principle of bureaucratic autonomy has very limited application in the region.

2. The rejection of bureaucratic autonomy in Latin America

Latin American development institutions have shown from the beginning strong dissimilarities to the East Asian cases, not only in regard to the very different results achieved, spectacularly successful for the latter, rather mediocre for the former. There were also significant divergences in terms of institutional design. Simply put, the kind of bureaucratic autonomy that was crucial for the success of development policies in East Asia never existed in Latin America. Contrary to the typical assumption of the development literature, however, the lack of bureaucratic autonomy in Latin American public institutions does not result from the predatory or self-interested behavior of politicians. The exclusion of bureaucratic autonomy is mandated by constitutional principles in Latin American public law, and the principles in question are far from a mere legal abstraction, they are firmly anchored in constitutional practices, and widely accepted as political values in public life.

In the present section, we will analyze two of the most promising development projects in Latin America during the twentieth century. First of all, the creation of a computer industry in Brazil during the seventies, and secondly, the successful policy of industrial growth in Chile during the forties and fifties. We will analyze the ultimate failure of both development strategies, which was caused by similar factors, that is to say, defective institutional design, disruptive political interference, and other problems. Finally, to conclude this section, we will briefly describe the set of constitutional norms and values that exclude bureaucratic autonomy from Latin American public life.

The development of a computer industry in Brazil was one of the foremost examples of “far reaching policy innovation” in Latin America (Evans 1995, 117). As a development project, it was the strategy that most closely resembled successful long-term programs in Japan or South Korea, not least because of its quite spectacular—initial—success. The institution that planned and implemented the set of public policies aimed at the creation and consolidation of a Brazilian computer industry was a commission, created in 1972 with the acronym CAPRE (*Comissão de Coordenação das Atividades de Processamento Eletrônico*). CAPRE was not an autonomous or independent agency, however, it was created as a bureau or administrative division inside the hierarchical structure of the planning ministry. The commission’s initially rather innocuous task was to rationalize the government’s use of electronic data processing. For this purpose, beginning in 1974, CAPRE received substantial regulatory powers, such that imports of computers, or electronic components used to assemble computers, were subjected to previous approval by CAPRE. However, instead of just trying to restrain the import of superfluous hardware, as its new mandate was probably intended, CAPRE used its regulatory power to put in practice a long-term “greenhouse” development strategy, aimed at creating and consolidating a Brazilian electronic industry.

The project for the creation of a Brazilian electronic industry was remarkably successful in the first eight to ten years. During that relatively short period, the development policies formulated and implemented by CAPRE managed to establish a domestic computer industry that could compete for a substantial share of the local market with international corporations such as IBM, Burroughs, and Hewlett-Packard. With support and guidance from CAPRE, several medium sized firms and many small producers were able, by 1982, to manufacture 67 percent of installed computers in the country. Brazilian domestic firms in the electronic industry were about a hundred in 1983, providing close to 18.000 jobs, with gross sales of \$687 million, or approximately 46 percent of total gross sales of

computers in Brazil. (Adler 1986, 680-681) Moreover, the new Brazilian electronic industry was not just replicating technology, a minicomputer designed in Brazil with original architecture, and its own indigenous operating software, was a huge commercial success, outselling all the minicomputers produced with licensed foreign technology. (Evans 1995, 136)

From 1964 to 1985 Brazil was ruled by a military dictatorship, but presidential terms, and other pseudo-constitutional forms were maintained. Therefore, the change of administration from one president to the next could involve some political and personnel changes. However, in a turn of events that still puzzles scholars, the 1979 change of administration from President Geisel to President Figueiredo resulted in a surprisingly self-destructive governmental decision. CAPRE was simply dissolved by presidential decree, as soon as the new administration took office. Following CAPRE's dissolution, the whole area of electronics policy was placed in charge of a completely new institutional structure, a special authority for informatics with the acronym SEI (*Secretaria Especial de Informática*). And the dissolution of CAPRE was far from just a change of institutional names, as sometimes it is done in government, while keeping the same teams in place. Not at all, together with the dissolution of CAPRE, there was a widespread purge of the organization's top and middle rank officials, most of whom were immediately dismissed from government service. (Luzio 1996, 8)

As mentioned above, CAPRE had been created as a division inside of the ministry for planning in 1972. At the time and until CAPRE's dissolution, Brazil's minister for planning was João Velloso, an economist with a strong expert profile, not a politician or an army officer. Velloso was minister for planning for ten years, under Presidents Medici 1969-1974, and Geisel 1974-1979. The role of Velloso shows a clear parallel to the career experts who planned and implemented development policies in Japan and South Korea, and in fact Velloso has been described as one of the main architects of the Brazilian "economic miracle" in the late sixties and early seventies. (Gordon 2004, 79) But bureaucratic autonomy was far from assured in Brazil, much less increasing during the same period, as it was in East Asia. Velloso was not re-appointed as minister for planning by President Figueiredo, effectively ending his career as an expert in charge of public policy. According to Velloso's own memoirs of his years in office, the main reason for his dismissal was the fact that he never had a cordial relationship to Figueiredo, and thus never belonged to the circle of the president's close collaborators (D'Araujo and Castro 2004, 218).

Notwithstanding the fact that it was a division inside the planning ministry, CAPRE's bureaucratic autonomy had been assured under a minister such as Velloso. An expert himself, Velloso was very willing to leave other experts in charge of public policy, without outside interference. In contrast, the new institutional structure created to replace CAPRE was, from the beginning, fatally exposed to political interference from above. SEI was created as a secretary of the presidency, a structure directly subordinated to the president's political headquarters. The dissolution of CAPRE, and the resulting loss of bureaucratic autonomy in policy decisions, resulted in many complications and setbacks. Before considering those problems, however, we will try to answer the foremost question on this topic. Why would the Figueiredo administration dissolve CAPRE? In a few years, CAPRE had managed to plan, and put in practice, a very successful strategy to create a Brazilian informatics industry. Simply from a military perspective, without considering economic development, a national informatics industry is a crucial asset. Why risk destroying everything that had been done?

Of course, the first impulse in the search for possible explanations for the dissolution of CAPRE has been to blame self-interest or capture. Interestingly, however, authors do not agree on who is to blame for the predatory self-interest in this case, either CAPRE itself, or rather the executive power that took the decision to dissolve CAPRE. Both perspectives have been advanced. Be it that CAPRE showed signs of weaknesses towards pressures from multinational corporations in the electronic industry, and as a result, that the regulatory regime was at risk of being twisted according to the multinationals' interests, forcing the government to take over. (see Luzio 1996, 41) Or alternatively, that the Figueiredo administration was eager to have a more friendly policy towards multinational corporations, in the form of joint ventures and similar cooperation projects, as a reaction to pressures by the United States government. (see Adler 1986, 696)

Ideological differences have been also suggested as an explanation, since some experts of CAPRE were left-leaning, up to a point, and President Figueiredo was the head of a military dictatorship. (Adler 1987, 266) However, CAPRE had been created under the same military dictatorship now presided over by Figueiredo, a dictatorship that had come to power originally in 1964. The former military dictators, under whose authority CAPRE was created, were never suspected of any sympathy towards the left. Much more than ideology, if there were any differences at all, it was just the fact that President Figueiredo did not much like Minister Velloso, under whose authority CAPRE had been created. But this was certainly not the only reason, not even the most important reason, to

dissolve CAPRE. Neither was a change of policy the goal behind the dissolution of CAPRE, even if we take into account the purge of its top and middle management. The new organization in charge of electronics policy, the presidential secretary SEI, faithfully continued to implement the same green-house development strategy carried out by CAPRE until then (Luzio 1996, 8). There was no sudden “liberalization” of the market in order to accommodate multinationals, or to placate the United States Government; the informatics policy continued its protectionist orientation.

We suggest now our own explanation for this puzzle, which we base on the idea that CAPRE was a victim of its own success, in the context of Latin American assumptions about the most effective institutional design for public organizations. The new military government under Figueiredo was not completely foolish. They knew very well that a national computer industry was a fundamental resource for economic development, and for military purposes as well. Precisely because of this, they thought that putting informatics policy under the direct aegis of the president was the best way to consolidate and promote this area of government. Direct presidential authority is regarded in Latin America as a necessary condition for effective public administration, and the principle is proclaimed as such in many constitutions in the region, as we will show below. The principle states that the president must have direct control and authority over every division and agency of the public administration system, even if the president chooses to leave specific areas to work more or less independently for a period of time. The principle is usually designated as “supreme” or sometimes as “superior” administrative authority of the president. It was written as law in several Latin American constitutions during the nineteenth century, with the explicit purpose of ensuring the effectiveness of state institutions.

The principle of supreme administrative authority corresponds to the relatively commonsense belief that organizations are most effective, as a whole, if there is a clear and final authority for all important decisions. A singular person has to be ultimately in charge, with oversight and authority over all significant issues. Now, the principle is based on commonsense, certainly, but it does not seem to apply at all to the operations of modern governments. In the specific case of development institutions, as shown above, bureaucratic autonomy is a precondition for their effectiveness, as has been amply demonstrated by the most successful development models. But the principle of supreme presidential authority makes consistent bureaucratic autonomy impossible to accomplish in Latin America. The idea of allowing an area of government to be run by experts, without outside

interference, goes straight against the principle of supreme presidential authority, and it arouses fears of chaos and mismanagement. President Figueiredo and his advisors did not want for a second to risk the destruction of all that has been achieved by CAPRE. To the contrary, they wanted to make sure that the informatics policy of CAPRE continued to be implemented, but now with sponsorship, guidance and encouragement from the highest political level. What could possibly go wrong?

The concept of embeddedness in general terms, and the theory of agency reputation in more specific detail, allow to anticipate and explain what was probably going to happen with the dissolution of CAPRE. As Evans made clear, the key to CAPRE's success in the development of a growing Brazilian computer industry had been its bureaucratic autonomy, and its effective embeddedness. The top and middle level management of CAPRE had built carefully a strong network of connections with the most significant actors in their policy field. Such actors included the scientific and academic community in the areas of computers and electronics, associations of professionals and technicians, leaders of the growing number of local small and medium-sized businesses in computers and electronics, members of the press covering these topics, and diverse other computer and civil society organizations. Together with the creation and consolidation of such networks, CAPRE had been very effective at consolidating its own reputation, and most decisively, the conviction among the public that the field of computer technology was flourishing, prestigious and rewarding. As a result of all this, for example, there were about 18 candidates for each place in courses related to computer sciences at the entrance examinations to the universities of Rio de Janeiro in those years (Schwartzman 1985, 8).

The dissolution of CAPRE devastated all those careful built networks. To make things worse, SEI, the new office in charge of electronics policy, had a tendency to take inconsistent policy decisions from the beginning, with chaotic results. SEI promulgated in March 1980 a set of guidelines for imports of computer technology, supporting and strengthening the greenhouse strategy, with measures such as preference given to "national alternatives," and software to be developed domestically. (Adler 1986, 697) A few months later, however, SEI gave permission to the multinational IBM to manufacture medium-sized computers in Brazil with proprietary technology and software, causing an uproar among computer and professional associations, scientists and domestic producers. Several of those groups formed a new organization called "Alliance for the Defense of National Technology" with the explicit purpose of publicly confronting SEI (Baaklini and Rego 1991, 139). Under

instructions from President Figueiredo, that specific policy decision was reversed, and the strong opposition to SEI diminished to a certain degree; but this disaster was the initial misstep leading to the later resignation of SEI's first general secretary, Octávio Gennari (Vigevani 1995, 96).

A year after its creation, as a rather obvious exercise in damage control, SEI was restructured and an "advisory council" was formed, with private- and public-sector representatives (Adler 1987, 269). This weak attempt at reconstructing embeddedness showed only modest success. The situation was made worse by the apparent incompetence of SEI at basic bureaucratic or technical tasks, most likely as a result of the purge of career managers in charge of informatics policy under CAPRE, and their replacement with amateur political appointees. The head of one of the most successful and biggest national producers of technology in Brazil, Jairo Cupertino, declared in an interview that, for the development of computer terminals and electronics applications, it was crucial to import specific components if these could not be produced locally. In such cases, speed was of enormous importance. But the new top managers at SEI, while assuring in meetings that the import of those components was going to be approved immediately, took afterwards seven or eight months to make the decision official (Vigevani 1995, 97).

Confronted with the mismanagement and erratic policy decisions of SEI, the biggest national investors in the area of electronics began to show less and less disposition to develop new projects. Much worse still, the civil society associations and the public, which had backed enthusiastically the initial development of a national computer industry, began to lose enthusiasm. Without the active support of scientists and intellectuals, the informatics policy could not find the same resonance among the public opinion (Vigevani 1995, 98). In 1990, President Collor assumed office with a neoliberal policy orientation, strongly opposed to greenhouse strategies for the development of national industries. SEI was dissolved by the new administration, and the national informatics policy was terminated at once. However, this drastic change of course did not cause much reaction among the public opinion, or among social actors. Computer associations did not even try to mount a public campaign against the liberalization of the informatics market, choosing instead to try to negotiate—unsuccessfully—with senior officials of the administration in order to retain some level of protection for national producers (Erber 1995, 183). In the meantime, the press also had turned against the "old" greenhouse policies in the field of computer electronics. The electronics market was hastily deregulated by the Collor administration, and the industry went into a deep crisis (Erber 1995, 183).

Ironically, although for some years the United States government had been pressuring Brazil to open its informatics markets, the big winners of the market's deregulation in Brazil were Japanese computer producers (Schoonmaker 2002, 124).

The second case of an—initially—very successful development program, designed and run by an autonomous bureaucratic institution, corresponds to Chile. As a pioneer initiative in Latin America, Chile was the first country in the region to create a national development agency in 1939, during the administration of President Aguirre Cerda. With the very ambitious mandate to study, formulate and put into practice a general strategy for the development of the different sectors of the national economy, the new institution was created by act of the Chilean Congress under the name of CORFO (*Corporación de Fomento de la Producción de Chile*).

The original proposal for the creation of CORFO came from a group of high-ranking career civil servants, most of them engineers, without previous political association to the *Popular Front*, the coalition that had won the presidency a year before (Pinto 1963, 653). Of course, as Silva (2008, 92) points out, the Popular Front was very receptive to the proposal of an ambitious development strategy, due to the general climate of opinion prevailing in the country. Among other factors, well-known international experiences had been influential in promoting the goal of state-led development in Chile, such as the Tennessee Valley Authority, the federal agency created in 1933 with the mission to provide economic development for a vast geographic area of the United States (Silva 2008, 93). In fact, the institutional design of CORFO shows similarities to the design of the Tennessee Valley Authority, the drafters of the statute creating CORFO evidently took the Tennessee Valley Authority as their model in some respects. Both institutions are defined as “corporations,” and they are in charge of a board of directors that includes representatives from civil society, businesses, the legislative power, and labor organizations. Moreover, the board of directors appoints in both cases a chief executive officer or executive vice-president with very similar roles (TVA 1933; CORFO 1939).

However, there was a crucial difference in the institutional design of the Tennessee Valley Authority and CORFO. The first was created as an independent agency of government, the members of its board were appointed by the president of the United States with advice and consent of the senate, for fixed terms of 9 years (TVA 1933). The president of the United States could not fire members of the board or the chief executive officer of the Tennessee Valley Authority in any case; the agency

being designed as independent, it was not subordinated to the president at all—we will come back below to the design of independent agencies in the United States. The flaw in CORFO's design, which was to prove fatal, was that the president of Chile appointed several members of the board at will, without advice and consent from the senate or any other restriction. Moreover, the board members or the executive vice-president were not protected by fixed terms, several of them could be fired anytime at the president's discretion (CORFO 1939). In sum, CORFO was not really autonomous, except perhaps on paper. If it came to any kind of conflict, the institution was to be critically unprotected towards the executive power.

After its creation in 1939, CORFO designed and began to implement a wide-ranging development program based on the strategy of import substitution industrialization. Most of the projects included already existent, or newly created, local private firms. The plural composition of the board of directors facilitated the embeddedness with businesses and other social actors. At the same time, CORFO consistently preserved its bureaucratic autonomy, that is to say, decisions on investments and industrial projects were based on expert criteria in all cases. A series of interviews with business representatives in Chile, carried out during the sixties, confirmed this point, respondents stating that projects at CORFO were strictly adjudicated on technical grounds (Cavarozzi 1975, 124). Successive administrations were respectful of CORFO's autonomy, there were almost no attempts to interfere politically in policy decisions (Cavarozzi 1975, 130; Muñoz and Arriaga 1977, 28).

The theory of agency reputation, as previously explained, maintains that autonomous bureaucratic agencies have powerful incentives to develop and strengthen their own embeddedness, in order to increase and consolidate the support for their autonomy among social actors. This was in fact the case with CORFO. The agency's top management developed important skills at networking and conciliation among opposing interests. The agency became the facilitator for a new basis of agreement on public policy between the political parties in government, the right-wing opposition, and private sector representatives. One particular issue of contention were the possible limits to public initiative in creating new businesses, which the private sector representatives regarded with suspicion. Nevertheless, "this and other latent conflicts between the executive and business organizations were defused by the state technocrats." (Silva 2008, 100). CORFO's influence among social actors was based on its strong reputation for professionalism. (Cavarozzi 1975, 127)

The results of the development strategies designed and implemented by CORFO were very impressive. From 1940 to 1955, industrial production in Chile grew at an average of 8.4 percent every year, going from a share of 13.06 percent of GDP to a share of 23.40 percent of GDP during that period (Braun et al. 2000, 29, 32). Using as a reference Chilean pesos of 1995, industrial GDP went from 374.686 pesos in 1939, the year CORFO was created, to 1.272.556 pesos in 1955, an increase of 340 percent in fifteen years (Braun et al. 2000, 26). Taking inspiration from the development strategies of the Tennessee Valley Authority in the United States, CORFO set itself the goal of rapidly increasing the national production of energy. For this purpose, a subsidiary of CORFO was created in 1943 under the name of ENDESA, as a shareholder-owned public company. From 1943 to 1960, ENDESA constructed 12 thermal and 7 hydroelectric power stations (CORFO 1959, 16). The production of electricity was thus able to keep pace with the fast growth of industrial production. In the years between 1940 and 1960, production of electricity went from 1954 million kWh to 4591.9 million kWh, an increase of 235 percent (Braun et al. 2000, 48).

As mentioned above, the development strategies of CORFO involved from the beginning the participation of the private sector. Particularly in the areas of manufacturing and mining industries, many private firms were created, or strengthened, with financial and technical support from CORFO. After twenty years of successful results in terms of growth, the new business groups began to acquire a sense of their own power and significance (Silva 2008, 104). The new political awareness of the industrial groups was a decisive factor for the victory of Jorge Alessandri in the presidential elections of 1958. An independent candidate, Alessandri was a successful businessman himself, and former president of the central association of business owners. His main goal as president was to focus the development process much more on private business, and reduce as far as possible the participation of the public sector in the economy. He presented himself as the leader of a “managerial” transformation of Chile (Cavarozzi 1975, 340).

However, the ruthlessness of the changes that Alessandri carried out, soon after assuming office, caused astonishment and alarm. A few weeks after inauguration, Alessandri put in practice a strategy of extensive political purges of the leading career experts in several public organizations (Silva 2008, 106). First of all, the President of the Central Bank, a career expert with three decades of experience in public banking, was summarily dismissed. He was replaced with a close political asso-

ciate of Alessandri, who had been a successful manager in the steel industry—without banking experience (Cavarozzi 1975, 355). The operational head of CORFO, the executive vice-president, was fired next, and replaced with another confidant of Alessandri, whose professional background was also in private business. Immediately after that, CORFO was purged of all its top and middle level management, composed of engineers and other experts who had been in charge of policy decisions since the creation of the corporation (Cavarozzi 1975, 357). With the support of Alessandri, the new executive vice-president dismissed the general manager of CORFO, the heads of each one of CORFO's ten departments, and all the career engineers who had worked directly under the general manager, as an expert team in charge of studying major decisions. Similar brutal and extensive purges of permanent career experts were carried out at the level of the ministries, and also in decentralized public agencies. Not only were the top management levels of all these public organizations summarily dismissed, but also middle managers and expert advisors (Silva 2008, 107). As Cavarozzi (1975, 395) describes it, with a certain understatement, the result of all these brutal and extensive bureaucratic purges was a "relative de-autonomization of the state." In truth, Alessandri put all key areas of the Chilean state under his direct political control.

Of course, the operational capacity of CORFO was shattered by the brutal purges of most of its top and middle-level career management. Any bureaucratic institution could hardly recover from such an unexpected blow. Previous administrations, as mentioned above, had been quite respectful of CORFO's autonomy, they had not interfered with public policy decisions, and never attempted to bypass CORFO's merit-based recruitment and promotion of staff. The first significant project negatively affected by the decimation of CORFO was the creation of a new large subsidiary of the Italian automobile manufacturer FIAT. The project had been negotiated since 1956, and it involved the creation of Chile's first tractor manufacturing plant, with 54.5 percent of the capital provided by CORFO, and the rest by FIAT. The project would have been "one of the most important ventures undertaken by the institution during its lifetime." (Cavarozzi 1975, 358) It was never implemented. As a matter of fact, for two years CORFO was simply inoperative. During 1959 and 1960, for the first time in the history of the institution, not a single project was launched. (Cavarozzi 1975, 358; CEDEM 1968, 45)

During the first two years of Alessandri's term, 1959 and 1960, the administration deregulated international trade, reduced tariffs, and lifted import restrictions (CEDEM 1968, II-44). Added to rendering CORFO inoperative, the deregulation of international trade had a very negative impact on industrial growth. For the first time in fifteen years, the index of industrial production failed to increase from 1959 to 1960, going down by almost three points (CEDEM 1968, Cuadro II-12). The government launched a massive plan of low-cost credit for the construction of middle class housing in Santiago, as well as a public works program. But even an increase in construction by almost 30 percent from 1959 to 1961 could not compensate for the decline or stagnation in the manufacturing and mining sectors (Cavarozzi 1975, 368-369).

Furthermore, industrial growth in Chile had a serious weakness, which usually affects developing countries. Most of the new industries produced consumer or intermediate goods, while capital goods, such as equipment and machinery, were not manufactured in the country. The administration attempted to increase private investment in these areas by a new regime granting tax exemptions and other diverse benefits for the import of machinery and equipment for industrial plants (Cavarozzi 1975, 373). However, the administration and supervision of the new regime was placed under the authority of CORFO, whose effectiveness had been seriously compromised by the massive purge of its staff. Now, the deregulation of international trade caused a huge increase in the import of consumer goods, which grew by 79.1 percent from 1958 to 1961. However, in the same period, the import of capital goods grew only by 16.5 percent, even with tax exemptions and other benefits for investors (CEDEM 1968, II-52).

Alessandri was strongly supported by business associations at the beginning of his term. Showing their close union with the administration, prominent business representatives were invited to assume high-level government positions. However, the very bad results of economic policy in the first two years, and the growing unpopularity of the administration, led to mounting attacks on Alessandri. A specific kind of criticism was very revealing, business representatives began to express their frustration at the administration's incompetence in key technical areas, such as the new credit system for investments on capital goods (Cavarozzi 1975, 383). Thus, according to the Chamber of Commerce, by 1961 the Central Bank had made accessing new credit so difficult, that private businesses were simply forced to rely instead on foreign loans. The influential business association SOFOFA went public with a similar complaint, that is to say, that access to low-interest credits, used

by private firms for capital investment, was almost impossible, because of the many conditions imposed for granting loans. Another telling complaint was the perplexity expressed by business representatives at not being consulted by the Central Bank before issuing new dispositions on credit, considering that SOFOFA had promoted the initiative in the first place (all business representatives quoted in Cavarozzi 1975, 383). Of course, bureaucratic and technical incompetence was only to be expected as a consequence of the massive purge of top and middle level professional managers at the Central Bank, CORFO, and other institutions. In a strange display of hubris, the administration expected for these same institutions to administer competently the new system of credit for capital investments. However, the new amateur political managers failed very clearly at complex bureaucratic and technical tasks. Worse still, the new managers showed an embarrassing lack of consultation and networking skills, causing mounting anger among their own political allies in the business sector.

The mid-term elections of March 1961 were a catastrophic setback for Alessandri. The political parties that had supported his administration from the beginning, Liberal and Conservative, lost many congressional seats. The Radical Party won the elections by a wide margin. Acknowledging defeat at once, Alessandri offered the Radical Party several portfolios in his new cabinet, including the crucial ministry of economy. During its years in control of the presidency, from 1932 to 1952, the Radical Party had been very respectful of public experts working at CORFO, Central Bank, and other key public policy areas. However, almost all those career experts had been summarily dismissed by Alessandri's massive bureaucratic purges two years before. Of course, reconstructing a career civil service takes years. The quick and easy solution was a political deal. Top and middle-level management positions, all across the public administration, including both central and decentralized agencies, were distributed among the three political parties supporting the administration, in proportion to their electoral results (Cavarozzi 1975, 386).

The political deal of 1961 sanctioned the politicization of the Chilean public administration. Reserved to career civil servants until 1958, top and middle level management positions were now part of the spoils, to be negotiated by political parties. Such de-autonomization of the state, in the words of Cavarozzi, certainly affected very negatively the quality of public governance. And it produced an even more ominous result. Another consequence of the politicization of the state bureaucracy, again in the words of Cavarozzi, was that "Chile's political scene experienced a process of

accelerated polarization which peaked in the 1964 elections when the voters aligned themselves in two sharply separated political coalitions [...].” (Cavarozzi 1975, 395)

Unsurprisingly, the non-partisan public bureaucracy used to have a moderating effect on political confrontation in Chile. After 1961, winning elections implied taking control over the whole of the public administration, including a much increased capacity for patronage extending to key management positions. The stakes in winning or losing elections became suddenly very much higher. It was only logical for the polarization of the political scene to become more intense, even brutal, in the next years.

The two cases of development failure in Latin America, discussed in this paper, show the very negative impact of presidential interference on public policy programs, which career experts had run successfully until the presidents intervened. In order to reaffirm their authority, presidents dissolved autonomous bureaucratic institutions such as CAPRE in Brazil, or fired most of their top and middle career management, such as again in the case of CAPRE, or in the case of CORFO in Chile. It must be observed that presidential interventions in those cases have not been generally regarded as predatory by the literature; presidents Alessandri and Figueiredo have gone in history as relatively honest administrators. Figueiredo must be considered as a criminal, of course, but for presiding over a military dictatorship that committed human rights violations.

If we contrast the design of development institutions in East Asian and Latin American cases, one lesson is quite clear: the Latin American cases would have greatly benefited from less interference from politicians. Certainly, it could seem that the two Latin American presidents we discussed were particularly “intrusive” in their management style or, in other words, that the bad management of development programs resulted from their overbearing personalities. Again, this does not seem to be the case, particularly if we notice that the constitutions of the countries in question, and other Latin American constitutions, establish the administrative authority of presidents as “supreme” or “superior” in very imposing terms. In assuming office, presidents are not only tempted to use their strong commanding powers to reassert their authority, the constitutions of most Latin American countries seem to mandate such acts of affirmation. Taking control of bureaucratic institutions by means of firing top managers, appointing political loyalists in management positions, or even the

dissolution of bureaucratic agencies created under their predecessors, all these are seemingly required acts of presidential authority. The constitutional definitions of presidential powers, as we will see, make such demonstrations of authority appear practically as a duty.

The principle of supreme administrative authority of the president is solemnly declared by several constitutions in Latin America. The strongest and most literal formulation contains the Constitution of Colombia, which simply states in article 115 that the “president of the republic is chief of State, head of government, and supreme administrative authority.” Naturally enough, legal scholars and the courts in Colombia understand that “supreme administrative authority” means that the president can give orders and instructions to all divisions and agencies of the national public administration, including those that the constitutions itself defines—rather confusingly—as “autonomous.” (Perdomo et al. 2006, 99). The Constitution of Brazil is slightly less emphatic, declaring in article 84 that the president has “exclusive competence” to exercise the “superior direction” of the federal public administration. Nevertheless, this clause is also understood by legal scholars, and the courts in Brazil, as assigning to the president direct authority to take any kind of decision in regard to any and all divisions of the federal public administration, including the so-called “decentralized” agencies (Gomes and Morgado 2012, 131).

A very strong formulation employs the Constitution of Mexico in article 80, which states that the president holds the “supreme executive power” of the union. This clause is understood in Mexican legal scholarship in the same way as similar clauses in the constitutions of Brazil or Colombia, that is to say, that the president of Mexico has direct authority over all divisions and agencies of the federal public administration. Following article 80, the president of Mexico is thus considered to be at the “top of the administrative pyramid” (Carpizo 2004, 45) or, in other words, the president can be defined as the “leader” (*conductor*) of the whole federal public administration (Pagaza 2002, 83). The first Constitution of Argentina, in force from 1853 to 1994, declared emphatically in article 86 that the president was the “supreme chief of the Nation,” and further, that the president was “in charge of the general administration of the country.” Legal scholarship and the courts understood this clause in the usual terms, that is to say, that the president had authority to give orders and instructions to all divisions and agencies of the national public administration, including the so-called “autarchic entities.” (Gordillo 2010, XI-3) The constitutional reform of 1994 in Argentina changed the formulation of article 86, which states now that the president is “politically responsible” for the

public administration. The power to “exercise the general administration of the country” has been assigned instead to a new office, the “cabinet chief.” However, the cabinet chief is subordinated to the president, so that the president retains as much superior administrative authority as in the previous model (Sabsay 2014, 43).

Finally, from the countries discussed in the present paper, bureaucratic autonomy as an institutional design exists only in Chile. However, no more than two specific public organizations are autonomous at the national level, with constitutional guarantees to protect them from political interference. They are exceptions, but very significant exceptions nonetheless. Since 1943, the autonomy of the prestigious and notoriously successful *Contraloría General de la República*, a national audit office, has been declared by the constitution of Chile. The reform of 1980 added a second autonomous public organization, the Central Bank. Both institutions are clearly and emphatically not under the authority of the president or any other member of the administration. The *Contraloría* is generally considered as the main factor that contributes to the very low level of corruption in Chile. (Franko 2007, 161) Considering that corruption is endemic in the region, it is certainly remarkable that the Chilean design of an autonomous national audit office has not been used as a model by other Latin American countries. It is, once again, a testimony to the powerful influence of the principle of presidential supremacy, the notion that the president must have command authority over all divisions and agencies of the public administration.

The two autonomous bureaucratic institutions in Chile are interesting and important exceptions to the pattern of institutional design in Latin America. However, as regards all other areas of the public administration, article 24 of the constitution of Chile still declares that “government and administration of the State correspond to the president, who is the chief of State.” This clause establishes the principle of supreme administrative authority for the president, and it is accordingly understood by legal scholarship and the courts. The president of Chile can be described as the “supreme administrator of the State”, and the president’s supreme administrative authority also extends to the so-called “decentralized” public organizations, the public services and regulatory agencies (Cimma 1995, 89). The exception, of course, represent the two autonomous bureaucratic institutions declared in the constitution, over which the president has no power whatsoever (Cimma 1995, 170).

In any case, the fact that the principle of presidential supremacy is declared solemnly by many constitutions in the region does not make it eternal or unchangeable, as the experience of Chile shows clearly. Moreover, a constitutional reform is going to be passed in Chile, probably in the second half of the year 2015 (Senado 2015). The reform will guarantee the independence of a third bureaucratic institution, the Chilean Electoral Service, the national public agency that oversees elections. Chile's model of good governance, amply acknowledged in the region, proves that it is perfectly possible to change or make exceptions to the principle of presidential supremacy. However, this would require widespread awareness and public discussions about the issue. From a scholarly perspective, this necessary debate has been difficult, since political science literature tends to neglect the significance of presidential administrative supremacy, as well as its impact on institutional design in Latin America.

The neglect of administrative supremacy in political science results from the tendency to assume that Latin American political institutions are very similar to political institutions of the United States. Weyland (2002) discusses a series of assumptions developed in the study of American political institutions, which are often "imported" into the study of Latin American institutions. According to Weyland, a significant import from this "Americanist" literature represents precisely the neglect to consider the dominance of the executive power over public policy formulation and implementation, as well as a general lack of interest for the study of the State and its bureaucratic apparatus (Weyland 2002, 64). The Americanist perspective leads simply to assume that Latin American presidents and presidents of the United States have similar powers, and that the differences between them are not substantial. Precisely this point of view has been recently re-stated by Morgenstern et al. (2013). For the authors, the differences between the powers of Latin American presidents, and presidents of the United States, are entirely a matter of degree, which they compare to different sizes of coffee, tall, grande o venti. But the content of the cup remains the same.

However, there is a major difference in institutional design between the presidency in the United States and presidencies in Latin American countries. The presidents of the United States do not have supreme authority over the public administration, that is to say, American presidents do not have the power to give commands or instructions to all divisions and agencies of the public administration. As we will see, such a principle of supreme administrative authority is firmly denied by the United States constitution. For legal scholars and the courts, the matter has been clearly decided

since the final pronouncement of the Supreme Court in 1935 regarding the case “Humphrey’s Executor.” In this sentence, the Supreme Court declares that, according to the Constitution, the president of the United States has no authority whatsoever over all departments or offices of the public administration that Congress declares independent (U.S. 1935, 602, 627)

The text of the “appointments clause” in the United States constitution (art. 2, § 2) makes indeed quite clear that Congress can establish limits to the presidential power to appoint federal officers, and thus to the authority of the president over the divisions and agencies of the public administration run by such officers. The clause refers first to principal officers of the United States, such as ambassadors or judges of the Supreme Court, who can only be appointed with advice and consent of the Senate, so that there is of course no presidential supremacy regarding those appointments. The clause refers afterwards to inferior officers, and here the Congress can establish limits to presidential authority too: “but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.” Among other constitutional sources, this clause supports the institutional design of independent agencies of government, which the Supreme Court confirmed were outside of the president’s authority already in 1935, as indicated previously. Such agencies are not under the authority of the president, since Congress has established their independent character by law. The president, in sum, has no administrative supremacy in the United States constitutional system. This is a very marked and substantial contrast to the administrative supremacy of the presidents in Latin America.

The substantial difference in administrative powers between the president of the United States, and the Latin American presidents, can be also traced back to constitutional history. Sources from the nineteenth century show that Latin American countries, after independence, deliberately chose not to follow the model of the constitution of the United States regarding the limitations of presidential power over public policy and public administration. In fact, the model for the principle of “supreme administrative authority” of Latin American presidents was the organization of the public administration system under the Spanish and French monarchies, both in Europe and in the New World. The literal expression “supreme governmental authority”, still extant in Latin American constitutions and legal scholarship, was the official designation for the powers of the Viceroy, such as for example the Viceroy of Peru, described in exactly such terms in 1752 (Gorla 1984, 26). With a formulation strikingly similar to contemporary Latin American constitutional clauses, the French constitution of

1791 defines the “supreme executive power” as “the supreme chief of the general administration.” (Chapter 4, art. 1). In other words, the source for the concentration of administrative power in the office of the president are traditional government institutions of the Bourbon monarchies in Spain and France.

The legal scholar who wrote the project for the Argentinean constitution of 1853, Juan Bautista Alberdi (1852, 89), refers literally to the “superior authority and all-embracing powers” of the former head of the intendancy system, the Viceroy. In his classic book comparing constitutions of Latin America, North America, and Europe, Alberdi exhorts Argentineans not to follow the federal constitution of the United States as a model in this particular issue. In contrast to the American president, states Alberdi, the projected executive power in Argentina needs to have the same legal powers as the Viceroy and superintendent, that is to say, supreme administrative authority. Alberdi (1852, 92) remarks further that Chile has already adopted the model of such an executive power based on the powers of the Viceroy, and that this constitutional design is the source for the order and stability of that country. In Latin America, concludes Alberdi, an executive power with checks and limitations in his power over the public administration, such as the president in the constitution of the United States, would result in anarchy and disorder.

Conclusions

Direct presidential authority is regarded in Latin America as a necessary condition for effective government, and the principle is proclaimed as such in many constitutions in the region. The principle states that the president must have direct control and authority over all divisions and agencies of the public administration system, even if the president chooses to leave specific areas to work more or less independently for a period of time. The principle is usually designated as “supreme” or sometimes as “superior” administrative authority of the president. It was written as law in several Latin American constitutions during the nineteenth century, with the explicit purpose of ensuring the effectiveness of state institutions. The idea of allowing an area of government to be run by experts, without outside interference, goes straight against the principle of supreme presidential authority, and it arouses fears of chaos and mismanagement.

The principle of supreme presidential authority corresponds to the relatively commonsense belief that organizations are most effective, as a whole, if there is a clear and final authority for all important decisions. A singular person has to be ultimately in charge, with oversight and authority over all significant issues. The principle is based on commonsense, certainly, but it does not apply to the operations of modern governments. In the specific case of development institutions, bureaucratic autonomy is a precondition for their effectiveness, as has been amply demonstrated by the most successful development models in Japan and South Korea. The advantages of bureaucratic autonomy have been experienced in Latin America as well. The most successful development strategies in the region were those formulated and implemented by experts without political interference, such as the creation of a computer industry in Brazil by CAPRE, and the industrial policy implemented by CORFO between 1940 and 1958 in Chile. In the end, however, the success of those strategies was wrecked by presidential interference, as soon as the presidents decided to reassert their authority.

The principle of supreme presidential authority makes real and consistent bureaucratic autonomy impossible to accomplish in Latin America, with the partial exception of Chile. In order to design successful development institutions, more exceptions to that principle will have to be established, or perhaps the principle will have to be discarded completely.

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